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ABSTRACT

The meeting reported in this document was attended by 128 persons associated with Illinois public schools whose purpose was to collectively address restructuring the Illinois school aid formula and issues integral to an adequate school funding system and equitable educational opportunities for all children in Illinois. The overall goal was to bring participants from widely disparate school districts together and the agenda was planned to facilitate maximum participation from presenters and invited guests. Presenters provided participants with background information; eight working groups provided a setting for small group interaction; and a panel of experts reacted to the ideas developed at the working roundtables. The first speaker defined the problem in financing Illinois education as a question of equity. The next speaker made a comparison of position papers from key organizations concerning school funding. The state's grant-in-aid system of funding in theory and in practice was discussed by the third speaker. The fourth discussed how to fund school reform. A fifth speaker explored legal and political realities of reforming the state's finance system. A summary of the eight small group findings, their discussion with a reaction panel, and moderator's comments are included. A conference agenda, copies of position papers, several background readings and a list of suggested readings, and a full state funding proposal for elementary education are contained in the appendixes. (35 references) (EJS)

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Financing Illinois Schools in the 1990s: Reaching a Consensus

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Financing Illinois Schools in the 1990s: Reaching a Consensus

Edited by: Robert F. Hall
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College of Education
Western Illinois University

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PREFACE

On January 24-25, 1990, 128 individuals associated with Illinois public schools met at Western Illinois University (WIU) to collectively address restructuring of the school aid formula and issues integral to an adequate school funding system and equitable educational opportunities for all children in Illinois. The meeting was sponsored by the Illinois Institute for Rural Affairs and WIU College of Education, with assistance from the Center for the Study of Educational Finance at Illinois State University, the Illinois Association of School Boards, and the Illinois Association of School Business Officials. This document provides the proceedings of the meeting, papers presented, findings of the working groups, and reactions from a 12-member panel of experts, including representatives from the Illinois Legislature and Illinois State Board of Education.

The concept of hosting an invitational symposium on school funding emerged first as the result of conclusions drawn from a July, 1989 survey sent by WIU College of Education to Illinois school superintendents. The survey's purpose was to determine the current school financial situations' effect on reduction of course offerings, teachers, support staff, and extra-curricula offerings, as well as to ascertain superintendents' forecasts for their schools. The response rate of more than 50 percent, indicated widespread concern and interest in school funding. Findings verified that many schools are severely impacted by the funding crunch. It also revealed the wealth of expertise and knowledge held by those who conduct the day to day operation of our states schools. If this powerful resource could be brought together in one room, some exciting results could result.

At the same time, Senator Arthur Berman, Chair of the Elementary and Secondary Education Committee, requested that the WIU College of Education conduct a survey to determine school administrators' opinions on the need to restructure the funding formula. This request originated from a desire to more directly involve educators in the process of providing a quality education to the children of Illinois.

As the various models for restructuring the school aid formula and the regional and interest group perspectives were examined, it was clear that differences among districts must be addressed. The disparities in property values and taxes among geographic areas lead to fears of loss of autonomy and restructuring of districts on the part of small, rural districts and of imposed spending limits and loss of tax base for wealthy districts. In the shadow of a pending lawsuit due to inequities of educational opportunities, varying concerns and priorities resulted in the inability of groups to compromise and develop a unified plan or to reach a clear consensus on a quality funding system. It also is apparent that while equity is an overriding concern, equity must be defined as access to sufficient (not equal) resources to offer a quality education to all children.

The overall goal for the invitational symposium was to bring the players together -- school administrators from the rural unit districts of under 500 students, the school business officials of larger unit districts, school board members from the wealthy suburban high school districts, Farm Bureau representatives, public interest group representatives, and legislators from across the State who are members of the House and Senate Elementary and Secondary Education Committees. It was hoped that all parties would communicate with each other, confront each other, and, maybe even, compromise their views. Individuals were invited from lists provided by the Illinois Association of School Administrators, the Illinois Association of School Boards, and the Illinois Association of School Business Officials. Representation was also invited from the Farm Bureau, Taxpayers Federation, Large Unit Districts Association (LUDA), Education Research and Development (ED-RED), Illinois Education Association (IEA), Illinois Federation of Teachers (IFT), and the House and Senate Elementary and Secondary Education Committees.

The agenda was planned to facilitate maximum participation from presenters and invited guests. Position papers and supplemental materials were mailed to registered participants in advance, to ensure that all symposium attendees were informed of the various plans or positions. Presenters provided background information and a "panel of

experts" reacted to the issues and plans for action that emerged from the working round tables. Each working groups consisted of superintendents, business officials, and board members with a good geographic and district type mix. The presenters, representatives from key interest groups and the legislature were also divided among the eight working groups.

The symposium, while only one of many meetings held across the state on the school funding issue, was a forum for members of the educational community to express ideas and concerns. The goal was for the attendees to reach an understanding of the complexities involved, define a quality school finance system for Illinois, raise expectations for the state's educational system, and develop the most effective strategies for achieving these goals. The challenge to the symposium members was to emerge with issues defined and a plan of action for an educational funding system that would provide quality educational opportunities to all. While that may have been a rather large order, participants reported they gained an expanded perspective of the complexities of school funding and a greater awareness of the problem at hand. Issues and priorities were defined and plans of action discussed. Consensus came about not in deciding on a solution, but rather on the need to carry this dialogue further. The symposium closed with participants requesting that at least one more meeting be held with the same groups continuing to work on more specific issues regarding funding of Illinois schools.

David R. Taylor, Dean
College of Education

FINANCING ILLINOIS EDUCATION: STATEMENT OF THE PROBLEM

Robert F. Hall and Bonnie Smith-Dickson
Western Illinois University

> Theoretically, all children of the state are equally important and are entitled to the same advantages; practically, this can never be quite true. The duty of the state is to secure for all as high a minimum of good instruction as possible, but not to reduce all to the minimum; to equalize the advantage to all as nearly as can be done with the resources at hand; to place a premium on those local efforts which will enable communities to rise above the legal minimum as far as possible. (Cubberly, 1905, p.17)

Cubberly's position is reaffirmed in the 1970 Illinois Constitution Article 10, Section 1 which states that: "A fundamental goal of the People of the State is the educational development of all persons to the limits of their capacities." James Ward, a presenter and planning member of the symposium, noted in a paper in 1987 that Cubberly was also concerned with efficiency when Cubberly stated:

> However desirable and even necessary it may be to provide more money with which to maintain the schools of the state, a still more important question is how to distribute the money so as to secure the best results. (p.22)

The Question of Equity for Illinois Children

The main issue is equity. According to Burrup and Brimley (1988), public educational systems are designed to produce equity (fairness in the treatment of students), but they do not, cannot and should not produce equality unless defined as equality of access or opportunity. Equality of opportunity is a fundamental principle in American education. Equality does not mean an identical education for all children, but rather provision of certain minimum essentials with no ceiling on opportunity.

This is the crux of the problem. While a child will not necessarily learn more when more money is available (or spent), educational opportunities for children in districts that spend four to six times as much per student are almost certainly greater.

While equity for children should be measured by equality of outputs (i.e., student achievement), the basic inputs into the educational process cannot be ignored. This can be taken to the very basic level - teachers. School districts that spend more dollars per student are in a position to attract the "best and brightest" teachers to their respective districts. In 1988-1989, beginning B.A. salaries for teachers in Illinois schools ranged from a low of $11,087 to a high of $24,601 -a spread of more than $13,000 - while the highest scheduled salaries ranged from $16,950 to $58,861. A district offering a beginning salary of $11,000 and a maximum salary of $17,000 will have difficulty attracting and retaining a highly competent staff. The problem is even more severe in subject areas such as math and science where there are currently shortages of teachers.

Of the several methods used by states to allocate money to education,perhaps the most common, according to Burrup and Brimley (1988), is the average practice model. This model "levels up" all of the poorer units so that they have the same proportional resources as the average unit. While this is the intent of the current resource equalizer model in the Illinois funding model, it is clear that the system is not working.

Cubberly expresses the apparently timeless concerns and beliefs of groups involved in education. As was evident in the position papers, presentations and group discussions of the **Financing Illinois Schools in the 1990s Symposium**, we all have the same goal--to provide the best educational opportunities possible to our children--even though we may have varying concerns. The overriding questions of how to address educational equity and adequacy, and how to obtain the necessary funds dominated the symposium. Participants came to Western Illinois University in January with an awareness of the disparities in funding and the resulting inequities; they went away with a greater

comprehension of what this means to our children and our society and the long term implications.

The following **Statement of the Problem** is divided into three sections to provide the reader with 1) an overview of school organization and funding in Illinois; 2) a review of the findings from a WIU study on school funding; and 3) the results of the education segment of an Illinois Institute for Rural Affairs' Rural Life questionnaire. By presenting this information, we intend to provide a framework of reference for the proceedings of the symposium.

Statement of the Problem

School Organization and Funding in Illinois

The State of Illinois was responsible for the education of 1,795,000 K - 12 students during the school year 1988-1989. Only two states have responsibility for educating more children: Texas and California. Illinois' educational process involved 967 school districts: 433 unit (K - 12) districts, 420 elementary (K - 8) districts and 114 high school (9 - 12) districts (Table 1).

TABLE 1. School Districts in Illinois Enrollment and Type

Size	Elementary	Unit	High School	Total
< 500	197	117	30	344
500 - 999	81	137	24	242
1,000 - 2,999	114	128	37	279
3,000 - 5,999	23	25	18	66
6,000 - 11,999	4	17	5	26
12,000 +	1	9	0	10
Total	420	433	114	967

Source: Salary Schedules Illinois Schools, 1988-1989. Illinois State Board of Education, 1989

There were 12 fewer districts during the school year 1987 - 1988 as compared to 1986 -1987 and an additional 14 fewer districts during the school year 1988 - 1989 due to reorganization. To educate 1.75 million students, the State spent $7.944 billion dollars during fiscal year 1988- 1989 (the most recent dates for which the data were available). Table 2 lists the sources and amounts of money available to Illinois schools during selected years from 1968 through 1989.

TABLE 2. Source of Funds for K-12 Districts in Illinois (Selected Years, in Millions)

Year	State $	%	Local $	%	Federal $	%	Dollars
1988-89	3,000.1	37.76	4,305.1	54.19	639.4	8.05	7,944.6
1985-86	2,767.9	41.04	3,481.3	51.62	494.8	7.34	6,744.0
1982-83	2,103.2	38.11	2,974.4	53.89	441.3	8.00	5,518.9
1979-80	2,218.5	42.34	2,485.0	47.43	536.3	10.23	5,239.8
1975-76	1,988.1	48.36	1,856.8	45.16	266.5	6.48	4,111.4
1968-69	516.6	27.94	1,229.3	66.42	104.3	5.64	1,849.2

Source: State, Local and Federal Financing for Illinois Public Schools, 1988-1989, Illinois State Board of Education, 1989, Table 1, pp. 11.

The table reveals the extent to which the State's share of the total cost of educating children in Illinois has been steadily declining since the 1975 -1976 school year when the State's share was 48.4 percent. In 1988-89, the state provided 37.76 percent of the funds. The decline in the State's share of school funding has shifted more of the burden to the property tax.

The Illinois General State Aid Formula provides higher levels of state financial assistance to school districts with comparatively lower levels of wealth as measured by the school districts' equalized assessed valuation (EAV) per pupil. In Illinois, the EAV per student ranges from a

low of $5,620 in East Saint Louis to a high of $1.3 million in the Seneca High School District. Table 3 displays the range of EAV/pupil for the three types of districts in Illinois. Of the 967 school districts in Illinois, 720 receive state aid based on the "Special Equalization Computation" which guarantees each district access to a guaranteed tax base. In the 1988 -1989 school year, the guaranteed tax bases were as follows: elementary districts, $113,021 per student; high school districts, $195,219; and for unit districts, $77,805 per student. In each case, when combined with the operating tax rate used in the formula, (elementary, 1.9 percent; high school, 1.1 percent; and unit districts 2.76 percent), each district is guaranteed access to $2,147.41 per pupil if it taxes locally at the appropriate rate. Obviously, if a district chooses to tax at a higher rate, it generates (or has) more dollars with which to work;and if it chooses to tax at a lower rate, fewer dollars will be available.

TABLE 3. Operating Expenditures per Pupil Illinois Public Schools, 1987 - 1988

Type of District	Low	High
Unit	$5,620	$573,819
Elementary	9,542	1,028,270
High School	33,021	1,302,119

Source: State, Local and Federal Financing for Illinois Public Schools, 1988-1989, Illinois State Board of Education, Appendices D, E and F

Under the formula, every school district is entitled to receive funding from the state. If a school district has more EAV/pupil than the state guarantees, it receives a flat 7 percent of the foundation level from the state (approximately $150/pupil) regardless of the other resources available. One result of the wide disparity in EAV/pupil, when coupled with different tax rates that school district patrons are willing to accept, has been a widening of the gap between the "rich" districts and the "poor" districts in spending per pupil. Table 4 shows the ranges

of spending per pupil between the top three and bottom three districts in each of the district types.

TABLE 4. Operating Expenditures per Pupil Illinois Public Schools, 1987 - 1988

Top Spending Districts	Elementary		High School		Unit	
	ADA	$/pupil	ADA	$/pupil	ADA	$/pupil
#1	635	12,866	254	9,322	931	7,464
#2	290	8,452	3,057	9,312	44	6,528
#3	28	7,663	845	8,438	1,008	5,770
Median		3,905		6,027		3,997
Bottom Spending Districts						
#3	537	2,208	407	3,622	876	2,582
#2	2,218	2,203	918	6,563	759	2,568
#1	97	2,085	102	3,544	1,254	2,536

Source: Illinois Public Schools Financial Statistics 1987 - 1988 School Year, Illinois State Board of Education, Department of School Finance

Table 4 illustrates why many consider the current formula needs revision. Among elementary districts, the range in spending is about 6:1 (4:1 if the highest spending school is ignored) and about 3:1 in the other two district types.

Western Illinois University Study

To discover the impact of the current funding formula on school districts in Illinois, in the Fall 1989, the College of Education and the Illinois Institute for Rural Affairs at Western Illinois University, surveyed school districts in Illinois. Surveys were sent to 967 school districts in

Illinois with one follow-up mailing. A total of 499 responses (51.6 percent) were received. The survey had three purposes. First, to determine the attitudes of school district officials as to the adequacy of financing for their schools. The second was to identify the effects of the current school funding formula on the operation and curricular offerings of school districts offerings. The third purpose of the survey was to investigate additional curricular areas needed and approaches to meeting needs. On this issue, we assessed the role of the Satellite Education Network (a joint effort of Western Illinois University and the Illinois State Board of Education), in supplementing curricular offerings in the schools in Illinois. Following is a report of the findings from the school finance aspects of the survey:

Of the 499 schools that replied to the survey, there were 178 elementary districts, 61 high school districts, and 260 unit districts. The districts ranged in size from 30 to 11,150 students. Table 5 shows the geographic regions of the State that were used for analysis of the data. Table 6 shows the number and size of responding schools in each region, and Table 7 shows the number and types of schools in each region. These geographic regions are the same as those used by the Illinois State Board of Education. Examination of Tables 6 and 7 reveals that 140, or 28 percent of the schools, were from the Chicago and "collar counties area," 93 (18.6 percent) were in the Northwest region, 117 school districts (23.4 percent) were in the Southern regions and 149 school districts (29.9 percent) were in the Central region.

Adequacy of school finances. The first question on the survey dealt with the administrators' impressions of the adequacy of the school district's finances. The findings for all schools and for schools grouped by size are summarized in Table 8.

As shown in Table 8, the responses by schools when grouped by size were very similar to the totals for the entire group. The correlation between the responses and enrollment was -.05; in otherwords, size of district has almost no relationship to adequacy of finances. Approximately 50 percent of the respondents felt that the revenues for the district were inadequate. Of respondents for districts ranging from

Table 5. Selected Geographic Regions of the State*

Northeast	Northwest	West Central	East Central	Southwest	Southeast	
Cook	Boone	Adams	Champaign	Bond	Alexander	Pope
DuPage	Bureau	Brown	Clark	Calhoun	Clay	Pulaski
Grundy	Carroll	Cass	Coles	Clinton	Crawford	Richland
Kane	DeKalb	Christian	Cumberland	Greene	Edwards	Saline
Kankakee	Henry	Fulton	DeWitt	Jersey	Effingham	Union
Kendall	Jo Daviess	Hancock	Douglas	Macoupin	Fayette	Wabash
Lake	LaSalle	Henderson	Edgar	Madison	Franklin	Wayne
McHenry	Lee	Knox	Ford	Monroe	Gallatin	White
Will	Marshall	Logan	Iroquois	Montgomery	Hamilton	Williamson
	Mercer	Mason	Livingston	Perry	Hardin	
	Ogle	McDonough	Macom	Randolph	Jackson	
	Putnam	Menard	McLean	St. Clair	Jasper	
	Rock Island	Morgan	Moultrie	Washington	Jefferson	
	Stark	Peoria	Piatt		Johnson	
	Stephenson	Pike	Shelby		Lawrence	
	Whiteside	Sangmon	Vermilion		Marion	
	Winnebago	Schuyler	Woodford		Massac	
		Scott				
		Tazewell				
		Warren				

* This geographic organization of counties is made solely to facilitate comparative analysis of the data.

TABLE 6. Schools in Survey (Region, Size)

	< 500	501-1000	1001-2000	2001-3000	3001-5000	5000 +	TOTAL
Northeast	19	22	41	26	19	13	140
Northwest	34	31	21	2	3	2	93
East Central	25	19	11	3	1	1	60
West Central	41	28	11	5	1	3	89
Southeast	24	19	12	3	0	0	58
Southwest	24	18	10	4	1	2	59
TOTAL	166	133	105	43	25	21	499

Table 7. Schools in Survey (Region by District Type)

Region	Type of District			
	Elementary	High School	Unit	Total
Northeast	90	30	20	140
Northwest	19	12	62	93
East Central	9	7	44	60
West Central	21	2	66	89
Southeast	18	4	36	58
Southwest	5	6	32	59
TOTAL	178	61	260	499

Table 8. School District's Present Financial Condition (Size)

Describe your school's present financial condition:	School Enrollment Size												Total	
	30-500 students N = 165		501-1,000 N = 133		1,001-2,000 N = 105		2,001-3,000 N = 43		3,001-5,000 N = 43		> 5,000 N = 23		All Schools N = 499	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Revenues adequate, no foreseeable problem	29	17.6	22	16.5	21	20.0	6	14.0	4	16.7	7	30.4	91	18.2
Revenues adequate, but no funds for program expansion	47	28.5	42	31.6	25	23.8	9	20.9	4	16.7	9	39.1	136	27.3
Revenues inadequate, but not cutting programs/services	62	37.6	41	30.8	36	34.3	18	41.9	11	45.8	2	8.7	173	34.7
Revenues inadequate, reducing programs/ services	23	13.9	26	19.5	22	21.0	10	23.3	4	16.7	5	21.7	90	18.0
No response	4	2.4	2	1.5	1	1.0	0	0.0	1	4.2	0	0.0	9	1.8

2,000 to 3,000, 65 percent (28 of 43 schools) reported their revenues inadequate. Among schools reporting their finances were inadequate, 18 percent or 90 of the 499 schools reported that they were cutting programs and services.

The schools were next grouped by geographic region to determine if there was a difference in attitudes with respect to adequacy of finances. Table 9 summarizes the results of grouping by region. The percent of schools reporting inadequate funding ranged from a low of 39.0 percent in the Southwest region to a high of 61.8 percent in the West Central region. One surprise in the findings was that almost 53 percent of the schools in the Northeast region reported that they had inadequate revenues. The correlation between responses to Question 1 and geographic region was (.0077). Therefore, there is no relationship between the answers to the question of adequacy of funding and the region of the state. The schools were next grouped by type of district to see if there was a difference in attitudes with respect to adequacy of finances. Table 10 summarizes the results of grouping by type of district. Once again, approximately 50 percent of the respondents stated that their revenues were inadequate. It is apparent from comparing Tables 8, 9 and 10 that inadequacy of funding as perceived by school district administrators is not a function of size, region of the state or type of organizational structure.

Tax referendum. To determine how many schools had attempted to improve their finances through a referendum, we asked whether districts had sought a tax increase between 1984-1989. Among the 499 schools responding, 228 indicated a tax increase attempt with 157 schools successful. Fifty-nine of the 228 schools reported success on the first try. Tables 11, 12 and 13 display by size, region and type of district the number of schools that attempted to pass tax referendums to improve their revenues. Overall, approximately 46 percent of the schools are trying to increase their revenues, but only about 25 percent of those districts that attempt to pass a referendum are successful in their initial attempt. Examination of Table 11 reveals that the percent of districts attempting to increase revenues ranged from a low of 41

Table 9. School Districts' Present Financial Condition (Responses by Region)

Describe your school's present financial condition:	Northeast		Northwest		East Central		West Central		Southeast		Southwest		
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
Revenues adequate, no foreseeable problem	40	28.6	13	14.0	7	11.7	11	12.4	9	15.5	11	18.6	91
Revenues adequate, but no funds for program expansion	26	18.6	25	26.9	20	33.3	21	23.6	20	34.5	24	40.7	136
Revenues inadequate, but not cutting programs/services	49	35.0	36	38.7	23	38.3	33	37.1	14	24.1	18	30.5	173
Revenues inadequate, reducing programs/ services	22	15.7	18	19.4	9	15.0	22	24.7	14	24.1	5	8.5	90
No response	3	2.1	1	1.1	1	1.7	2	2.2	1	1.7	8.5	1.7	9
TOTAL	140		93		60		89		58		1.7		499

TABLE 10. School Districts' Present Financial Condition (Responses by District)

Describe your school's present financial condition:	Elementary		High School		Unit		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Revenues adequate, no foreseeable problem	40	22.5	17	27.9	34	13.1	91	18.2
Revenues adequate, but no funds for program expansion	42	23.6	9	14.8	85	32.7	136	27.3
Revenues inadequate, but not cutting programs/services	65	36.5	22	36.1	86	33.1	173	34.7
Revenues inadequate, reducing programs/services	27	15.2	11	18.0	52	20.0	90	18.0
No response	4	2.2	2	3.3	3	1.2	9	1.8
TOTAL	178	35.7	61	12.2	260	52.1		

TABLE 11. School Districts That Sought to Increase Revenues Through a Tax Referendum (Response by Size)

ENROLLMENT	YES		NO		NO RESPONSE		TOTAL
	Freq	%	Freq	%	Freq	%	
< 500	68	40.7	98	58.7	1	0.6	167
501 - 1,000	62	45.3	74	54.0	1	0.7	137
1,001 - 2,000	46	43.4	60	56.6	0	0.0	106
2,001 - 3,000	26	60.5	17	39.5	0	0.0	43
3,001 - 5,000	12	48.0	13	52.0	0	0.0	25
5,001 +	14	66.7	7	33.3	0	0.0	21
TOTAL	228	45.7	269	53.9	2	0.4	499

percent in districts of 500 or fewer students to a high of 60.5 percent in districts with enrollments between 2001 and 3,000 students. Table 12 reveals that the percent of districts by region attempting to pass a tax referendum to increase revenues ranged from a low of 24.1 percent in the Southeast region to a high of 55.9 percent in the Southwest region. When districts are compared by organizational structure,the range in districts trying to increase revenues by tax referendum ranged from 31.1 percent in High School districts to a high of 49.6 percent in Unit districts. Listed as the major reason for the failure of tax referendums in all reporting districts was general discontent with property taxes among taxpayers (74 responses).

As a follow-up to the question on whether a tax referendum had been passed in the last five years, we asked what were the consequences of a failure to pass a referendum in the Education or Operation Building and Maintenance funds. Table 14 lists the results for

the reporting school districts which attempted to pass a referendum and failed.

TABLE 12. School Districts That Sought to Increase Revenues Through a Tax Referendum (Response by Region)

REGION	YES		NO		NO RESPONSE		TOTAL
	Freq	%	Freq	%	Freq	%	
Northeast	62	44.3	78	55.7	0	0.0	140
Northwest	47	50.5	46	49.5	0	0.0	93
East Central	31	51.7	29	48.3	0	0.0	60
West Central	41	46.1	47	52.8	1	1.1	89
Southeast	14	24.1	43	74.1	1	1.8	58
Southwest	33	55.9	26	44.1	0	0.0	59
TOTAL	228	45.7	269	53.9	2	0.4	499

TABLE 13. School Districts That Sought to Increase Revenues Through a Tax Referendum (Response by District Type)

TYPE OF DISTRICT	YES		NO		NO RESPONSE		TOTAL
	Freq	%	Freq	%	Freq	%	
Elementary	80	44.9	97	54.5	1	0.6	178
High School	19	31.1	42	68.9	0	0.0	61
Unit	129	49.6	130	50.0	1	0.4	260
TOTAL	228	45.7	269	53.9	2	0.4	499

TABLE 14. Consequences of Failure to Pass Tax Referenda

Consequence	N
Teachers were dismissed	54
Sports were eliminated	37
Pupil/teacher ratios were increased	50
Capital outlay deferred	73
Programs were eliminated	43
Extracurricular activities were eliminated	18
Private booster support was increased	40

Note: Some districts checked more than one item

When asked what staff cuts have been made in the last five years to attempt to bring expenditures in line with revenues, 111 districts (22 percent) reported that they had eliminated some central office administrativestaff, and 117 districts (23.5 percent) reported that they had eliminated building level administration. Table 15 reports the academic areas that were reduced to try to bring revenues in line with expenditures in the reporting districts.

This illustrates that school districts have been reducing their staffs in all areas to cope with on-going budget problems. It appears that the elementary level is bearing the brunt of the reductions. While some of the reductions would compensate for declining enrollments, there is no doubt that program offerings have been affected. This is especially evident when the districts' answers to the next question are considered: Ifmore money was made available to your district, what would be the impact? In almost one-half (194 districts) of the reporting districts, the impact would be that they would add programs to the curriculum and, 138 districts reported that they would hire additional teachers. This shows that districts have been cutting into the "meat" of their programs. Additionally, 267 districts reported that teachers would

TABLE 15. Staff/Program Cuts Made to Balance Budgets

Area	N	Area	N
Business Ed	54	English	53
Foreign Language	37	Math	24
Sciences	50	Music	54
Art	73	Physical Ed	71
Social Studies	43	Industrial Education	83
Vocational Ag	18	Guidance Counselors	52
Library/Media	40	Elementary	188
Combined Grade Levels	40		

TABLE 16. Financial Future of School Districts

	N	%
Resources are adequate, no property tax increase necessary	60	12.0
Resources will be sufficient to provide cost-of-living pay increases and normal growth in budgets	88	17.6
Cutbacks will not be necessary but pay increases will not be competitive with other districts	113	22.6
Cutbacks will be necessary, but teachers will not be terminated	59	11.8
Expenditure reductions will be necessary causing cutbacks in teachers and/or programs	186	37.3
Consolidation or program sharing with other districts will be necessary	87	17.4

Note: Some districts checked more than one item

receive a larger pay increase,and 288 districts reported that classroom support, in the form of additional supplies and equipment, would result. One obvious conclusion is that school districts have been balancing their budgets by holding down teacher salaries and cutting back on supplies for the classrooms.

Superintendents responding to the survey were asked to predict the future for their schools without a significant increase in revenue. Table 16 reports the responses of school districts to this question.

It is noted from Table 15 that in only 12 percent of the districts did the administration believe their finances would be adequate in the future, and in 37.3 percent of the districts, reductions in programs and/or staff would be necessary.

Rural Life Panel

The responses of school district administrators as to the adequacy of their district's finances is very similar to the findings of the Illinois Institute for Rural Affairs' **Rural Life Panel.** The panel is made up of 2,831 persons who live in one of the 76 non-metropolitan areas of the State. In answer to the question, "Do you feel that your local schools are adequately funded?", 59 percent of the respondents stated that their local schools were not. When asked how funding for the schools could be improved, 16 percent stated that they would favor an increase in the property tax, 56 percent indicated that they would favor an increase in the state income tax, and 66 percent indicated that they would favor an increase in "sin" taxes on cigarettes and alcohol. Sixty-five percent of the respondents stated that programs should be added to the curriculum, and 53 percent favored increasing teacher salaries if more money were made available to the districts. Additionally, 43 percent stated that buildings should be renovated, 48 percent believed that more teachers and teacher aides should be hired, and 63 percent indicated that classroom supply budgets should be increased. When asked which of the aforementioned should happen first, 35 percent responded that programs should be added to the curriculum, while 28 percent indicated that teacher salaries should be increased.

In the aforementioned survey of Illinois schools, administrators were asked if their salary schedules were attractive enough to be able to replace teachers who leave the district. In 122 of the 499 districts, administrators replied that their schedules were not competitive. Of the 122 districts that stated their salary schedules were not attractive enough, 91 districts enrolled less than 1,000 students, and 61 of those were in districts of less than 500 students. It would appear that the smaller schools in Illinois are going to have the greatest difficulty in attracting and retaining staff.

The information from the **Rural Life Panel** reinforces what was been shown by the survey, namely that approximately 50 percent of the districts believe that their present finances are inadequate and that this will be the case in the immediate future. The inadequacies of the present funding formula have been very well documented. The Illinois State Board of Education, Allen Hickrod and the Center for the Study of Educational Finance, the Farm Bureau, the Taxpayers' Federation, and many others have clearly shown the inequities that currently exist in the present finance formula.

In an attempt to facilitate the process of reaching a consensus about how to better fund the school districts in Illinois, the Illinois Institute for Rural Affairs and the College of Education at Western Illinois University sponsored the invited symposium to address the issue of how to adequately and equitably fund Illinois schools.

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A COMPARISON OF ORGANIZATIONAL POSITION PAPERS CONCERNING SCHOOL FUNDING

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Position papers from key organizations concerning school funding were mailed with the materials preceding the symposium. These position papers are found in Appendix B. Papers were contributed by the Illinois Farm Bureau, the Illinois Association of School Administrators (IASA), the Illinois Association of School Boards (IASB), the Illinois State Board of Education (ISBE) and the Large Unit District Association (LUDA). A review of each of the papers (IASA and IASB submitted a joint position paper) was conducted to determine the similarities or differences in the positions of the organizations. The points of similarity were important to note, since one of the purposes of the conference was to assist the different groups in arriving at a consensus.

Generally, all of the groups were in agreement that educational funding in the state of Illinois at the present time is a disaster. While the reasons for this conclusion were varied i.e., too much reliance on the property tax, too little general state aid, prorating of categorical funding, the difference in tax rates between unit and dual districts, or the great disparity in expenditure per pupil between districts because of wealth (measured in terms of assessed valuation per pupil): all seemed to agree that the time had come to make a revolutionary change in the manner in which schools in Illinois are funded. It should be noted that it is significant that all of these groups arrived at this consensus, regardless of the reason, at the same time. As a consensus has been reached about the need for change, what is the obstacle to the change being devised and implemented?

Before change can occur, there must be an agreement on general principles about the design of a new system. Using the ISBE Principles as a standard for comparison, there is great agreement between the positions of the IASA/IASB, and the ISBE. For all practical purposes the

principles are similar. The only differences between their respective position papers are that 1) the IASA\IASB paper defines adequate funding as "a foundation level not less than the prior year audited median per capita tuition charge", while the ISBE makes a more esoteric statement that "The state has the responsibility to objectively define adequacy upon which an appropriate foundation level can be based."; 2) the IASA/IASB group is opposed to any legislation which would place a limit on the amount which any school district could spend if the local taxpayers approved the proposed increase by referendum; 3) the IASA/IASB group defines the tax rates to be used in the calculation of the general state aid formula as "the sum of the local permissive tax rates for the Education and OBM funds". It would appear that while the ISBE has taken a more politically conservative role in their definitions, the IASA/IASB group has "been to the well" too many times and come up empty to be satisfied with these indefinite answers. Also, one must note that there is a definite fear on the part of many school boards and administrators that the legislature will attempt to reduce disequity by leveling down the expenditure per pupil through caps on allowable expenditures instead of increasing the state aid to required levels. It seems safe to assume by the tenor of the IASA/IASB statement that they would actively oppose any efforts at leveling down.

When the position paper of the LUDA is compared to the ISBE position paper, many new questions are raised. It is obvious from the first statement in the LUDA paper that level of funding is a primary concern. Another concern appears to be the present method of weighting pupils within the formula. Next is a concern about the need for all of the reforms which are being required under the Reform Act of 1985, and the categorical method by which many of these new educational initiatives are being funded. The question seems to be a matter of priorities within the educational funding system. Why fund the new initiatives when the regular programs are not still adequately funded? Finally, there is real hesitancy on the part of LUDA to adopt additional property tax reforms unless it is done as part of the overall educational reform package. When reading this document in

conjunction with the ISBE paper, the two appeared to be complimentary in nature. The purpose of the LUDA paper appeared to be to further define and emphasize some areas of interest.

Next, the position paper of the Illinois Farm Bureau was compared to the ISBE position paper. Again, the tenor of the paper indicated that there were more similarities than disparities in positions. The major Farm Bureau goal is: "Increasing state funding to a level at which state resources provide a majority of the funding. This will provide meaningful property tax relief by reducing reliance of school districts on the property tax for their basic support." It should be noted that the issue of providing property tax relief was not discussed in the ISBE position paper. The concern of the State Board was to provide "adequate funding" by "Stable and reliable revenue sources including, but not limited to the local property tax..." This would seem to be a major area of disparity between the Illinois Farm Bureau and the ISBE and in fact all of the other educational organizations. Two minor areas of disparity were 1) "...allowing school districts to recover partial or total costs of extracurricular activities through the collection of fees from students participating in such activities and including donations from other sources in the community."; 2)"...requiring a hearing by local school boards before levying a tax for Life Safety and Energy Conservation bonds if such bond issues exceed $25,000." The latter would simply slow down the issuing of bonds which had already been deemed necessary and approved for sale by the ISBE. The first item could have the effect of depriving students unable to pay for the opportunity from participating in undefined "extracurricular activities", or worse allowing the contributors the opportunity to decide which economically deprived students they would allow to play.

The results of the review seem clear. There is no doubt that the educational funding system in the State of Illinois needs revolutionary reform, one which strikes to the very heart of the system. It also seems fairly clear that five of the major political players in the reform of this system have reached consensus on some of the major issues. Those are:

1) The present level of state funding for schools is inadequate.
2) The state needs to dramatically increase the amount of money which is being distributed to the schools so that disequities in expenditures per pupil can be reduced; by leveling up not down.
3) For funding purposes, the state must treat all three types of school districts as one.
4) The state needs to research and adopt new revenue sources for school funding as part of the school funding reform process.
5) The state must provide sufficient funds to provide for an adequate program for all children.
6) Boards of education should have the ability to spend above the state mandated level, if approved by referendum.
7) The authority of the boards of education to tax should not be diminished at the present time, but the boards should beheld accountable.
8) The general state aid factor which adjusts for poverty impact should be more responsive than the Chapter One count presently being used.
9) The categorical programs which are presently prescribed by the legislature should be fully funded and periodically reviewed for continued relevance.

With all of these points of consensus, it seems likely that major meaningful reform can be affected. A plan of action and a commitment to work together are the necessary ingredients for successful reform.

ORGANIZATION OF THE SYMPOSIUM

The purpose of the symposium was to initiate a dialogue about school finance in Illinois between a cross-sectional representation of individuals who were invited because of their knowledge and expertise. To achieve this objective several organizations were contacted and invited to both participate and to help identify participants. Among the various organizations that were contacted were: the Illinois Association of School Boards (IASB), the Illinois Association of School Business Officials (IASBO), the Illinois Association of School Administrators (IASA), the Farm Bureau, the Taxpayers' Federation, the Illinois Education Association and the Illinois Federation of Teachers. Each of the organizations was contacted and invited to recommend individuals to participate. After the individuals were identified by their respective organizations, letters of invitation were sent by David R. Taylor, Dean of the College of Education, Western Illinois University, and approximately 120 individuals indicated that they would be in attendance. A complete list of the participants is in Appendix A.

The symposium was organized around three main concepts:

1. Provide all participants with the same background information.
2. Provide a setting for small group interaction.
3. Provide a panel of "experts" to react to the ideas developed.

The above three points were addressed in the following manner. In order to provide all participants with the same background information, two procedures occurred. First we mailed information to each of the participants prior to the conference. This information included: position papers on school finance from IASA, IASB, and ED-RED; a synopsis of the court case in Kentucky which led to school finance reform; an article on school finance reform in California; an article by Linda Knibbs, Associate Director for IASA that discussed the wisdom of a court challenge; and the preliminary results of the survey by the Illinois Institute for Rural Affairs and the College of Education at Western Illinois University. The second part of providing background

information consisted of a panel of speakers on school finance in Illinois on the morning of the first day. The main speakers were: Gordon Brown, Chief of Staff, ISBE; Robert Arnold, Associate Professor, Illinois State University, William Hinrichs, Finance Section, ISBE and James Ward, Associate Professor, University of Illinois.

To facilitate the small group discussion, we assigned participants to one of eight groups which were divided so that there was a "mix" of different districts and groups represented. We provided each group with two facilitators and gave those individuals the following charge.

1. Identify goals, issues and expectations for an equitable and adequate school finance system. What are the current strengths and problems with the current system?
2. Identify the components of a fair and equitable system of school finance.
3. Develop an action plan that would lead to the implementation of the ideas that are generated by the group.

At the end of the small group meetings, the facilitators were brought together to "compare notes" and to organize a presentation of the results of the small group sessions to the panelists on the second day. To accomplish the final task, a summary presentation of the small group findings was made to the panel for their reaction. After each member of the panel had a chance to respond to the outcomes, individual questions were accepted from the floor. Additionally, at the end of the session, each of the eight small group facilitators was asked to write a summary of his/her group'sdiscussionthat has been included in this proceedings document. Documentation of the symposium follows.

ILLINOIS' PUBLIC EDUCATION: GRANT-IN-AID SYSTEM THE THEORY AND THE PRACTICE

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The purpose of the State's grant-in-aid system is to provide free education, that is both efficiently administered and of high quality, and that educates individuals to the limits of their capacities. The State bears the primary responsibility for financing the system (Illinois Constitution). How well is the State living up to its responsibilites? Let's first examine the theory of educational finance and then analyze Illinois' system in light of theoretical aspects.

We need to agree that the system of public education must provide equality of educational opportunity or equity, and that the funding will ensure equal dollars for each and every student throughout the State. Despite inequalities in local community wealth and educational need a child's education can't be dependent solely on local economic conditions. The State's system must support a level of edcuation that is adequate.

Foundation Theory

Since one of the most commonly used terms in the Illinois system is the "foundation level", let's examine first the foundation theory of grant-in-aid systems. If a state funds its public education utilizing foundation grants the state specifies a dollar amount per student that is the minimum level of support. Usually that dollar amount approximates the cost to educate the average child in that state. "As originally conceived, the minimum would provide an adequate educational level without overburdening local taxpayers."(1)

"Establishing [the level of financial support for] the minimum program is difficult, because the cost of providing an education varies greatly between districts, particularly rural and urban. Furthermore,

historically the level of the minimum program has been based more on fund availability than on actual cost. As a result, minimum foundation levels have tended to fall below actual needs."(2)

Neither attribute of a foundation level support system, adequacy or efficiency, is true any longer for the Illinois system. The level of support isn't adequate and the local tax support is overburdening taxpayers.

Foundation plans include a required amount of local support. Local effort is measured as a tax rate on homes and farm land and businesses. The state requires each district to levy a property tax, a fixed rate applied to assessed property values. That is the "local effort." It is designed to raise an amount of money locally for the minimum support level. The state then provides the difference between the amount raised locally and the state's foundation level.

When the state specifies a foundation level and requires the districts to extend a minimum property tax, that required local tax is in effect a state tax because it is utilized to make up the minimum support level. If the local district chooses not to or cannot levy the tax at the specified rate then the level of state support is lowered to match the local effort. Local taxpayers have very little to say about the size of each annual foundation level figure.

In property-rich districts where the amounts raised through taxes and local effort are above the minimum foundation level, the excess could be returned to the state, or recaptured, theoretically. General Assemblies have not employed the recapture prerogative because, obviously, it would be political suicide.

An alternative to this procedure would be to levy a statewide property tax and use the proceeds to finance fully the foundation level. This in effect would be a flat grant system that would entirely usurp local initiative. However, a strong tenet of Illinois systems is respect for local decision making regarding the nature and quality of the educational program and the support for it from local property taxes.

Foundation systems assume that the foundation level is sufficient for a minimally adequate education program, but there is no way of

determining this with complete accuracy and consequently the process breaks down. The foundation amount tends instead to be an appropriation level that is politically affordable. "The distinction between the principle of the foundation plan and its actual practice is an important one. Over the years states often do not raise their minimum spending levels sufficiently. The foundation levels become unreasonably low, well beneath what is considered an adequate minimum."(3)

When legislators go too far in setting tax rates and spending levels the principles of the foundation plan are compromised further. It is better to have some inequality, although there is no firm agreement as to how much inequality is rational. Some of us make careers out of studying just that, the equity and adequacy phenomena, to remind others that those are the goals. The ideal system creates a sort of dynamic tension: districts raising their taxes and spending levels to support higher quality educational programs and then other districts pushing the state for increases in the foundation level to equalize the quality of education.(4)

A final note about foundation systems: a minimum flat grant usually accompanies a foundation program. It is unpopular not to grant some amount of money to local communities. This takes the form of flat grants and since this minimum amount of support flows to wealthy districts primarily, it becomes disequalizing because it widens the disparity between the poor and rich.

Guaranteed Tax Base Theory

It is theoretically possible to equalize the tax base of support for education and assure equal access to funds both locally and statewide. To avoid disequalizing flat grants-in-aid and overcome the drawbacks to the foundation system, a state can utilize a guaranteed tax base system of support instead. Known also as the resource equlizer plan it is a variation of the foundation plan.(5) The state guarantees that each school district will have the same assessed valuation behind each student to tax and support the educational program. As in the foundation

system the state pays a portion of the total support, high in poor districts and low in wealthy districts. "Under the foundation plan the state shares only in a minimum cost: under a guaranteed tax base the state shares in the total cost. This is a major difference betwee the two plans."(6) However, that is only a theoretical difference because the state can limit the total cost by guaranteeing a lower tax base and level of support.

The objective of the guaranteed tax base theory is a one-to-one relationship between school expenditures and tax effort.(7) This is never allowed to exist very long in its theoretical form because the state can find itself in a position where it owes more than it can afford, especially to higher taxing districts. The guaranteed tax base system can become prohibitively expensive for the state when it is required to match the level of support for the wealthiest districts.

In theory, guaranteed tax bases establish neither maximums nor minimums.(8) A school district may develop any size budget and levy the tax rate it chooses. "In theory the plan maximizes local control."(9) The state underwrites the difference between the local amount raised and the amount that would be raised with the guaranteed tax base. Since the district decides the size of its budget there is no restriction on the expenditures. To guarantee that a state will share in any size budget is a frightening prospect to lawmakers and state officials. Consequently General Assemblies usually limit the support level per student that is to be equalized among the school districts. "...A cap is placed in an attempt to limit the state's liability and to mitigate undue demands ... on the state's resources. The effect of such legislative limitations is to disequalize."(10)

Equalization occurs amoung districts below the state guaranteed tax base, and disequalization occurs above that limit. Greater disequalization occurs as the difference between the state level of support and the local expenditures widen.(11) That is the case now in Illinois. When a state-imposed limit is above average operating expenses there is no concern, frequently it is set much lower, and most districts are guaranteed a limited maximum tax base. That then

becomes the equivalent of a foundation plan with a guarantee at a tax base level of support for each child instead of an amount of money for support. Some districts might not receive any equalization money, which is politically unpopular. The remedy becomes a minimum flat grant per pupil in addition to a guaranteed tax base.

If the foundation level, and the guaranteed tax base, were raised enough under Illinois' current system, equity would not be an issue. The resulting state aid would equalize support among districts, temporarily. Eventually, however, the school districts would begin to drift apart as tax bases became more disparate and efforts to impose higher local taxes changed. The equity issues would enter the public forum of debate all over again.

Flat Grant Theory

Flat grants provide equal amounts of money to school districts. They can be allocated on the basis of student numbers, or teacher numbers and they can be matching amounts. Flat grants tend to favor districts that can already afford to operate schools adequately without state support. This is especially true of matching grants when the state matches what some districts can easily raise themselves. Flat grants also favor districts where larger class sizes and lower pupil costs are possible because the state support offsets a larger proportion of the student cost. "Early school finance reformers considered flat grants to be better than either matching grants or no grants, but argued that state aid should provide greater equalization..."(12)

Equal dollars per pupil or equal dollars per teacher guarantees a minimum of schooling for every child. This system assumes the state has the wisdom to determine the cost of a minimum education. It also assumes the state will have the money to fund the flat grant appropriations each year without proration. Flat grants are usually not based on wealth or tax effort; the Illinois resource equalizer formulas, however, incorporate both of these limiting factors in determining the amount of aid before the flat grant allocation.

Flat grant systems are not inherently unequal when the flat grant is sufficient to cover the educational level that the state deems minimally necessary. The flat grant amount is usually provided for all students equally, and the revenue for it is raised at the state level by taxes which are levied at a uniform rate on all residents of the state. When the flat grant level is a percent of a district's local revenues rather than an absolute amount, a flat grant is neither equalizing nor disequalizing.(13) "The flat grant plan might be appropriate under those conditions where the political consensus deems all districts worthy of help, no matter how great their wealth or how low their tax rate."(14) Flat grants can be viewed as special case foundation systems where the required local tax rate is zero. However, states as a rule have insufficient revenue to provide adequate amounts per child so the use of local property taxes is authorized to fund school district education programs.

The Practice in Illinois

It is difficult to reach a consensus over how to redress the general state aid system in Illinois because there are so many important trade-offs. Experts have spent and are spending considerable time devising alternatives that might achieve widespread popular support. Property tax inequities and providing tax relief are issues that are inextricalby tied to educational finance issues. There is little willingness statewide to increase state taxes in order to change the existing tax mix and equalize the level of support for education. As long as the disparity between districts is as large as it is in Illinois there must be an effort to change the system.

The general support of foundation level in this state is closer to $2000 than it is to $3000 and the average operating expense for educating a child in Illinois is over $4000. (The amount appropriated for public pre-kindergarten through twelfth grade education in Illinois this year was $2,073,060,200. That provided a foundation level per student of $2,384.25. It was $2,146.31 in 1988-89.) The amounts expended per child ranged from a just over $2000 to more than $12,000. Those were

the reasons why I was quoted in the current issue of the Chicago Enterprise as being dissatisfied with the level of support, it is inadequate for most districts. I support any and all efforts to bring the level of state support up to a level that more closely approximates each district's operating expense.

The amount of general state aid distributed to school districts in Illinois is determined by the yearly appropriations of the General Assembly. The amount is not a function of educational need. It is a function of what the state can afford for education. There is nothing wrong with the state paying what it can afford until, until it should compromise children's education in some districts and as a result their performance and overall quality of life.

The state funded foundation level is mathematically related to a state guaranteed tax base per student attendance unit in Illinois. The formula is: student times the difference between the state guaranteed tax base and the district tax base times a tax rate. Full access to formula requires an actual operating district tax rate equal to or greater than the computational operating tax rate. Full access means a district receives from the state all it is entitled to under the formulation. Illinois' resource equalizer system allocated the general state aid appropriation in the following proportions:

Special equalization formula: approximately 78% of the Illinois school districts and a little more than 96% of the total state aid (84% of the student count).

Alternate method: approximately 15.5% of the districts and slightly more than 3% of the aid (13% of the student count).

Flat grant: approximately 6% of the districts and less than 1/2% of the appropriation (3% of the student count).

Generally, a higher state appropriation for general state aid means a higher foundation level and a higher guaranteed tax base if the number of students in the state remains the same. It does not

necessarily mean more general state aid for a district because the property value could go up in the district, in which case the district's share of the foundation level would have to increase. Also if enrollment in the district is going down, the state support would decline because the support level is predicated on the number of students.

The districts'need factor is the CWADA: Chapter I Weighted Average Daily Attendance unit. The average daily attendance by month, or statistical period when two months are combined, is aggregated by grade levels and divided by the days of pupil attendance. The averages for the best three periods are weighted 5% for the middle grade levels and 25% for the high school grade levels to derive the total weighted average daily attendance (WADA). In the formula the current year WADA is averaged with the two prior years'. The higher of the current year WADA or three-year average WADA is used. That result is weighted further by the low-income student percentage of the district, divided by the statewide percentage low-income students. That ratio is multiplied by a statutory defined adjustment factor of .53. The result times the district's low-income student count is added to the grade-level WADA to derive CWADA. Low income weighting can add significantly to a district's need factor even though it's limited to 62.5% of the low-income student count.

The effort factor in Illinois' formula is the operating tax rate. A maximum operating tax rate is used for computation if a district's actual operating tax rate is at a certain level: 1.90%, elementary districts; 1.10%, high school districts; 2.76%, unit districts. The actual operating tax rate is the district's total tax rate less the tax rates for bond and interest (except for .05% for fire prevention and safety bonds and .05% for working cash bonds), rent, vocational education construction, summer school, capital improvement, and junior college. The computational tax rate entitling the district to full access to the formula is the maximum operating tax rate, unless, the district's rate is less than: 1.28% elementary; 1.10% high school; 2.18% unit districts. Full access means that the district can use the maximum operating tax rate in the special equalization funding formula and receive the full entitlement.

The wealth factor in the formula is the general state aid equalized assessed valuation. District wealth for general state aid purposes includes an amount for personal property. The district's equalized assessed valuation is increased by an amount equal to the corporate personal property replacement tax revenue of the previous year divided by the tax rate in effect in the district in 1977. (For a further explanation of this peculiarity refer to the State, Local, Federal Financing booklet.) The general state aid equalized assessed valuation divided by CWADA results in the wealth in the district behind each student. The state guaranteed wealth factor is, the foundation level divided by the applicable tax rate, either the maximum operating tax rate, or the district's operating tax rate if it was less than the minimum rate prescribed by the state.

A district's general state aid entitlement for the following year then becomes the need factor (CWADA) times the wealth factor (the difference between the guaranteed tax base and the district tax base) times the effort factor (the applicable tax rate). The Illinois grant-in-aid specialization formula is:

CWADA x (STATE GSAEAV - DISTRICT GSAEAV) x TAX RATE

It can also be computed by subtracting from the foundation level the amount the district can raise (district GSAEAV per CWADA times applicable tax rate) and multiplying the remaining amount of the foundation level by the CWADA (SLF).

The alternate method computation is: CWADA times 13% of the foundation level times 87% of the guaranteed tax base per CWADA divided by the district's GSAEAV per CWADA. The 13% can diminish if the district's assessed valuation exceeds 87% of the guaranteed tax base in which case the district moves into the flat grant computation, which is the district's CWADA times 7% of the foundation level.

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Illinois Constitution

FUNDING SCHOOL REFORM

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Currently there are two proposals intended to reform Illinois' general state aid formula and two others intended to reform its total system of funding schools.

The two state aid formula reform proposals were put forth in the spring of 1987. The first was offered by the Citizen's Council on School Problems. The second general state aid reform proposal, a three-tiered formula, was considered by the Illinois State Board of Education. Both state aid formula revision proposals incorporated a reward for effort component, missing in the formula since 1980.

The two total reform proposals in which recommendations were made not only for reform of the general state aid formula, but also for the way in which local property taxes are raised, were offered in the spring of 1989. The first was offered by Senator John Maitland in the form of an amendment to House Bill 602. The second, a prototype for reform prepared by State Board of Education staff and debated at the 1989 Annual Superintendents Conference, was never intended to be a proposal for funding reform, but rather a mechanism to stimulate discussion and bring to light the issues associated with revenue and expenditure variation in Illinois. Each of these four alternatives will be described below.

Citizen's Council on School Problem

This proposal was intended to reform only the existing general state aid formula. No reform of the system of local property taxation was offered. The proposal included the following components.

a. An additional 5% weighting for students in grades K-3 was added. The existing grade level weightings in the formula were not altered.

b. The calculation of best three months average daily attendance was separated for grades K-8 and grades 9-12 in unit districts. This provision has since become law and will be effective in FY 91.

c. The Chapter 1 count currently used in the formula was replaced with 80% of the districts free lunch/free milk eligible students. Neither the poverty weighting nor the concentration ratio algorithm was changed.

d. A high tax effort factor was added. The factor was calculated after the calculation of the general state aid entitlement and was expressed as a percentage of the entitlement. The mathematical formulation of the high effort factor is given below.

If OTR < MAXOTR then REWARD = 0

Otherwise,
REWARD = (OTR - MAXOTR) / FACTOR X .10 X Entitlement
where

REWARD	=	Reward for effort grant
OTR	=	District operating tax rate
MAXOTR	=	1.90 for Elementary Districts 1.28 for High School Districts 2.76 for Unit Districts
FACTOR	=	Highest OTR by type less the MAXOTR
Entitlement	=	General State Aid Entitlement

Three Tiered Formula

The three tiered formula was an attempt to reform the general state aid formula only and was constructed in accordance with School Finance Principles approved by the State Board of Education in February 1987. Again, no attempt was made to reform the current method of

local property taxation. The formula attempted to bring about organization neutrality and reward low wealth/high tax effort districts.

This formula included the following components:

a. The flat grant was changed to a dollar amount per student.
b. The alternate method calculation was eliminated.
c. The method of accounting for Corporate Personal Property Replacement Revenue was changed. The dollar amount was no longer converted to an assessed valuation figure.
d. The calculation rates in the formula were changed to reflect non-referendum permissive taxing authority by type of district.
e. Districts in the bottom two-thirds of the wealth per pupil distribution and above the permissive maximums in the Education and Operations and Maintenance funds by type were rewarded with additional general state aid.
f. No change was made in the method of counting students.

Following is the mathematical formulation of the three tiered formula.

Tier 1 = $150 X TWADA

Tier 2 = FLEVEL X TWADA - (EAV X RATE X CPPRR)

Tier 3 = (GTB - EAV/TWADA) X (EDOM - PM) X TWADA

where

TWADA = Total Weighted Average Daily Attendance

FLEVEL = Foundation Level

EAV = Real Equalized Assessed Valuation

RATE = 1.41 for Elementary Districts
= 1.41 for High School Districts
2.555 for Unit Districts

CPPRR = Corporate Personal Property Replacement Revenue

GTB = EAV/TWADA at the 67th Percentile by Type

EDOM = Sum of District Rates in Education and OM Funds

PM = Permissive Maximum Rates in Education and OM

General State Aid = Tier 1 + Tier 2 + Tier 3

Maitland Proposal

Unlike the previous two formulas, the Maitland Proposal was an attempt to reform the entire system of funding schools in Illinois. Both local property taxation and general state aid distribution were altered. The proposal can be described in four general components.

Property Taxes

a. Districts were to use the prior year "known" EAV for levy purposes. This meant that the December 1989 levy would have been made against the 1988 EAV.

b. A special four-fund rate which combined the current education, operations and maintenance, transportation, and special education tax rates was created.

c. This four-fund rate was then rolled back to the following levels.

Elementary	2.35%
High School	1.50%
Unit	3.50%

d. Districts could increase the four-fund rate by referenda up to the following levels.

Elementary	3.00%
High School	2.00%
Unit	4.50%

e. In no case could a district raise more than $6,500 per student through local property taxes.

f. CPPRR was aggregated to the county level and distributed to school districts on a per pupil basis.

State Supplement

a. Districts experiencing a loss in local property taxes were held 100% harmless through a supplemental state grant the first year.

b. A district would continue to receive its full supplement (first year hold harmless) unless the levy grew at a rate higher than 4%. The supplement was reduced by any amount attributable to growth in the levy of more than 4%.

c. Any successful referenda would cause the state supplement to be discontinued.

General State Aid Formula

a. The grade level weighting for students in grades 9-12 was increased from 1.25 to 1.40. The Chapter 1 weighting was removed from the pupil count.

b. The foundation level was set at $2,500 and would grow with inflation yearly. It was recognized, however, that the appropriation would still drive the foundation level.

c. All districts would receive a flat grant amount equal to 10% of the foundation level per student.

d. The alternate method was eliminated.

e. Variable formula calculation rates were introduced with a minimum and maximum level.

	Minimum	Maximum
Elementary	2.10	2.35
High School	1.40	1.50
Unit	3.15	3.50

If the district tax rate was above the maximum, the maximum calculation rate was used. If the district tax rate was below the minimum, the minimum calculation rate was used. Otherwise, the district tax rate was used as the calculation rate in the formula.

f. A reward for effort provision applied for districts with high tax effort. If the district tax rate was above the maximum formula calculation rate, that district's general state aid was calculated used 110% of the foundation level.

Low Income Supplement

The Chapter 1 weighting was removed from the pupil count in the general state aid formula. Instead, a separate categorical grant was created to provide additional funds to districts with high concentration of students from low income families. The grant (POVGRANT) is tied to the per pupil support level.

If the district percentage of low income students is

less than 10%	then	POVGRANT = 0
between 10% and 20%	then	POVGRANT = .075 X FLEVEL X WADA
between 20% and 40%	then	POVGRANT = .15 X FLEVEL X WADA
between 40% and 60%	then	POVGRANT = .25 X FLEVEL X WADA
more than 60%	then	POVGRANT = .35 X FLEVEL X WADA

Unlike the current system, in which a percentage of Chapter 1 students is added to the weighted pupil count, the separate grant provides funds to the district for each weighted pupil, not just Chapter 1 students.

The Prototype System

For the purposes of stimulating further discussion, the staff of the State Board of Education developed a prototype for reform of school finance in Illinois which proposed major changes in both state and local funding. The prototype was not intended to be a final proposal or a "magic formula" to cure the ills of school finance in Illinois, but rather a model intended to serve as a basis for continued dialog. The prototype system outlined below was offered in order to encourage open discussion on the question of revenue and expenditure disparity and alternative approaches to improving Illinois school finance.

Organizational Structure

For the purposes of local property tax collection and general state aid distribution only, the existing school districts would be combined into 131 districts according to the following guidelines.

a. Chicago #299 would remain a separate district.

b. All districts in counties other than Cook, DuPage, and Lake would be combined into 99 individual county districts along what would roughly be county boundaries.

c. DuPage and Lake would be divided roughly North and South.

d. All Cook County districts (other than Chicago) would be combined into 27 township districts along existing high school district boundaries. Each township district would consist of a high school district and at least one elementary district. Each such unit would be created solely for funding purposes. The administrative responsibilities and authority of existing districts would be unchanged.

Creation of Fiscal Variables

a. The real EAV of the 131 county/township districts would be the sum of the real EAV of the unit districts and high school districts assigned to the county/township.

b. The pupil count of each county/township district would be the sum of the weighted average daily attendance (WADA) of all districts assigned to the county/township.

c. The CPPRR of the county/township district would be the sum of the CPPRR of all districts assigned to the county/township.

Local Property Taxes

a. Local property taxes for the operating needs of schools would be levied at a uniform rate. For purposes of initial discussion, a 3.50% rate was suggested (the state average operating tax rate in 1987 was 3.82%). Consideration would be given to a stratification, which recognizes geographic cost-of-living differences. One scenario would recognize a 10% differential in suburban Cook and the Collar counties, thereby yielding a rate of 3.85%.

b. The total property tax collected at the uniform rate added to the total CPPRR of the county/township would then be redistributed to the individual districts comprising the county/township in proportion to the WADA count of the individual districts. Taxing authority for operating purposes (i.e education, OM, transportation, working cash, IMRF, etc.) would initially be eliminated at the district level. Individual districts would retain bond and interest taxing responsibility. Consideration would be given to allowing additional local taxing authority for each individual district through referendum at some time in the future.

General State Aid Distribution

a. The flat grant would be increased.

b. The alternate method would be eliminated.

c. The pupil count would be based solely on weighted average daily attendance (WADA). The Chapter 1 weighting would be eliminated.

d. The calculation rate used in the formula would match exactly the taxing authority of the county/township.

e. The foundation level would be indexed for Cook and the collar counties to allow for cost of living differences.

f. The primary general state aid distribution would be to 131 organizational units. The secondary distribution of general state aid to the individual districts comprising the county/township would be made in proportion to the WADA of the individual districts.

Low Income Supplement

A supplemental distribution to districts having a high incidence of low income students was proposed as a categorical program outside of the general state aid formula.

Districts with differing concentrations of Chapter 1 students would receive grants calculated as a percentage of the GSA per pupil

support level for each WADA student. The following concentrations and percentages are suggested.

Percent District Poverty Concentration		Foundation Level
	less than 10 percent	0.0%
10 percent	but less than 20 percent	7.5%
20 percent	but less than 40 percent	15.0%
40 percent	but less that 60 percent	25.0%
	more than 60 percent	35.0%

Local Supplement

A local revenue supplement was proposed for those counties/townships experiencing a decline in local revenue as a result of reductions in operating tax rates.

a. If a county/township received less local revenue than it would have otherwise received using the product of the actual district operating tax rate and EAV, state funds would be paid to the county/township in an amount equal to the difference. This local supplement would then be distributed only to those individual districts within the county/township which experienced a loss in local revenue. The distribution would be made in proportion to the WADA of the districts involved.

b. This hold harmless provision on local property taxes would then be phased out over a period of years by holding the county/township harmless to the initial level of the supplement. Natural growth in property values would serve to reduce the local supplement through time.

Parcels of Property with Extremely High EAV

It was intended that parcels of property with extremely high assessed valuations be excluded from the property tax base of county/township school districts and taxed by the state at a uniform rate. The revenue from these parcels would then be used to partially fund the local supplement described above.

REFORMING THE ILLINOIS SCHOOL FINANCE SYSTEM: LEGAL AND POLITICAL REALITIES IN 1990

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The purpose of this invitational symposium is to explore alternative policy options for funding public elementary and secondary schools in the state of Illinois. I have been asked to address a number of issues relating to the legal and political aspects of school finance reform. This is not a technical issue to be left to experts in the field, but it is a major question of social policy involving fundamental choices about what our society is all about and what the future will provide. Reforming the state school finance system is fundamental because it is essentially a quest for social justice. As the United States Supreme Court reminded all Americans thirty-six years ago in Brown v. Board of Education, providing public educational services is perhaps the most important function of state and local government in this country. That statement was no exaggeration. Those who suffer from substandard educations are doomed to a life of poverty and dashed dreams. For them, the American dream will never be a reality. Today in cities, small towns, and rural areas all across Illinois there are children who will never know the privileges, joys, opportunities, and the pursuit of happiness that a good education can provide.

I would like to begin by reflecting briefly on some aspects of educational adequacy and equity, then discuss the current movement toward a constitutional challenge of the Illinois school finance system, and finally talk about the politics of reform in 1990 and beyond. My purpose today is to try to stimulate some thinking and discussion about how we might go about solving our current school finance crisis. The clear message should be that magical solutions only occur in Disney movies. There are no easy answers in school finance and those who are

waiting for the magical solution, rather through the courts or through some innovative new formula, will be sadly disappointed.

Questions of Educational Adequacy and Equity in School Finance

There is no question that there are serious problems both with the adequacy of educational funding in Illinois and with the equity of the system. The state average per pupil spending level is still no higher than it was in the mid-1970s, when inflation is taken into account. Over that fifteen year period, indicators of educational need have increased as we have more students in our public schools who are from poverty homes and are at risk of academic failure. The same dollars are expected to provide educational services for pupils who are now more expensive to educate in the proper manner.

Recent data produced by both the Illinois State Board of Education and by the Center for the Study of Educational Finance at Illinois State University show that equity among school district spending levels is not getting any better, and, in fact, may be getting worse. The Chicago Tribune and other newspapers across the state have documented this as well. Our current system of school finance allows Chicago to raise $1,864 per pupil from local sources, while the suburban Chicago districts are able to raise $3,607 per pupil in local monies, and the Downstate districts raise $1,780 per pupil in local revenue. In fact, the suburban districts, on the average, raise more money in local revenues per pupil than the Downstate districts are able to generate in combined local, state, and federal revenues per pupil.

The reality is that the wide disparities in school spending levels and in educational opportunities that exist across our state are the result of our politics. As Dr. Linda G. Knibbs, Associate Director of the Illinois Association of School Administrators, recently wrote in a paper for her constituency, "even when we are repeatedly and shamefully reminded that there is inequality in funding and educational opportunities amongst our public school districts, our devotion to maintaining our

diversity and our local control leaves us paralyzed to remedy the problem."

Indeed, we do remain paralyzed because of the issues that divide us. We pit city against suburb and suburb against the rural areas of the state. Elementary, high school, and unit school districts each protect their own turf. Regional animosities divide us at the very time we need to be together. Inequalities in funding and in educational opportunities are what really need to concern us.

Why are these inequalities so important? Perhaps the most direct and powerful answer to that question was put forth by the Texas Supreme Court in its October 2, 1989, decision in Edgewood v. Kirby when the Court said:

> The amount of money spent on a child's education has a real and meaningful impact on the educational opportunity offered that student. High-wealth districts are able to provide for their students broader educational experiences including more extensive curricula, more up-to-date technological equipment, better libraries and library personnel, teacher aides, counseling services, lower student-teacher ratios, better facilities, parental involvement programs, and drop-out prevention programs. They are also better able to attract and retain experienced teachers and administrators. (p.4)

There are those who like to argue that all these things do not make a difference in pupil performance, but if that is so, why do the affluent and powerful in our society work so hard to provide these things for their children. My view is that if these services are good enough for the rich, they are good enough for you and me.

Given the tremendous problems of adequacy and equity in the Illinois state system of public school finance, what might be some of the solutions?

The Issue of a Legal Challenge to the State's School Finance System

Recent state supreme court decisions in Kentucky and Texas have raised interest in the possibility of a constitutional challenge to the state's system of school finance. Indeed, the ideal plaintiffs would be children living in low wealth, high tax school districts with a spending level well below the state average. A committee has been formed to explore such a possibility and I am sure some sort of action is forthcoming. Before we rush off in the direction of praying to the courts to solve our problemsand settle our differences, we need more than just an emotionally charged, superficial look at the facts.

Rose v. Council for Better Education, Inc., decided by the Kentucky Supreme Court on June 8, 1989, and Edgewood v. Kirby, decided by the Texas Supreme Court on October 2, 1989, represent major departures from previous state school finance litigation in that these two cases turned on the application of a definition of the word "efficiency" which appears in both the Kentucky and Texas state constitutions. The same word appears in the Illinois constitution, hence the interest here in those two cases. The Kentucky and Texas constitutions were written in the nineteenth century so we have no clear record of the intent of the constitutional framers in calling for an efficient school system. The courts resorted to an examination of dictionaries commonly used at the time of the constitutional conventions in Kentucky and Texas and concluded that efficiency required the equal distribution of resources among school districts. In Kentucky, the state supreme court declared the entire state school system unconstitutional and required that the state legislature create a new system that meets constitutional requirements by the end of the 1990 legislative session. In Texas, the state supreme court only invalidated the school finance system of the state, but required constitutional compliance by May 1, 1990. Many of my friends and colleagues in Illinois see these cases, or one like them in Illinois, as the salvation of our state's school children and as the end of our funding problems. Before we look at the possibility of such a set of

occurrences in Illinois, let's look at what has happened in Kentucky and Texas.

In Kentucky, a special commission was appointed to develop a new state system of public schools and this commission was criticized immediately as being dominated by the same political establishment that allowed the current system to operate for so many years. There are as many different viewpoints and proposals as there are members of this commission and the legislative leadership has made it clear that they do not intend to raise taxes to fund any part of a new system. The school finance issues has now become a key factor in an acrimonious political battle between the Governor and the state legislature. Earlier this fall, the Kentucky State Superintendent of Public Instruction John Brock, originally a plaintiff in this case, urged Illinois educational leaders to resort to a lawsuit only as a final step if all else failed. It is accurate to say that education funding in Kentucky is in disarray and there is little likelihood that the Kentucky legislature will meet its 1990 deadline. It will then be up to the Kentucky Supreme Court to take the next step, whatever that will be. By the way, in states like New Jersey and Connecticut where state school finance cases were originally filed in the late 1960s, this game of judicial-legislative ping pong has been going on for 20 years or more.

In Texas, the governor called for a special session of the legislature to deal with school finance issues. However, before this special session could be called, another special session had to be concluded. The fall special session dealt with workers compensation issues and resulted in a severe split in the Texas legislature that rendered it into legislative gridlock. The Texas governor now says that the special session on school finance will not be called until after the March 1990 primaries and it appears highly unlikely that the situation will be resolved in Texas prior to the May 1, 1990, deadline. Again, Texas legislators are hesitant to raise taxes, even in the face of a state supreme court decision.

Anything more than a superficial analysis makes it clear that the Kentucky and Texas experiences are hardly models of how we might want to proceed in Illinois.

In a legal rather than a political sense, what are the implications of the Kentucky and Texas cases for Illinois? First of all, as I think we all know, they have no legal precedent in Illinois because they are state supreme court cases. However, judges do read each other's decisions.

But in addition, there are at least three important legal reasons why plaintiffs in a similar Illinois pleading are likely to fail. First of all, in Kentucky and Texas, and in almost all other states where plaintiffs have prevailed in school finance litigation, either the constitution itself or state supreme court decisions have held education to be a fundamental right, thereby raising the level of judicial scrutiny employed. This makes it harder for the state to defend its past actions. However, in Illinois, education has never been held to be a fundamental right under the state constitution. It is therefore likely that all the state would have to do to defend such a case would be to show that the current system of school finance relates to some governmental purpose, like local control or local discretion in taxation.

A second factor is that Illinois has never had an activist court. The judiciary in Illinois usually defers to the legislative branch in arenas such as the one we are discussing. In 1948 in People v. Deatherage, the Illinois Supreme Court wrote that, "In this case we have adhered to the fundamental principle of the three grand divisions of government ... by refusing to intrude into the legislative area and undertake to say what is a thorough and efficient system of free schools for the common schooling of all children of the State" (81 N.E.2d 581, at 596). In 1976, the Illinois Supreme Court in Cronin v. Lindberg wrote that, "This court has consistently held that the question of the efficiency of the educational system is properly left to the wisdom of the legislature" (360 N.E.2d 360, at 365). This point was most recently reiterated in Polich v. Chicago School Finance Authority (402 N.E.2d 247) in 1980. As a result, the courts are extremely unlikely to decide to interfere now in a province that has traditionally been regarded as a legislative prerogative.

The third legal argument concerns the definition of efficiency. Our state constitutional convention in 1969-70 inserted the word

"efficiency" in Article X at the same time it was rejecting numerous attempts to add language calling for equalization of resources among districts in the state. There is no evidence that efficiency was meant to mean in Illinois what the Kentucky and Texas courts say it means in their states. It would take a long leap of faith and considerable creative reinterpretation of history for an Illinois court to conclude that efficiency requires equal resources.

Without belaboring the point, in order for the plaintiffs to win a "Kentucky-Texas type" case, the Illinois judiciary would need to reverse three long standing pieces of precedent. A failure to do so on any one point would probably be fatal to the plaintiff's arguments. I think that reversal of precedent on three points is highly unlikely, therefore rendering such a case a quixotic quest at best. One of the reasons I say this is that unlike most historic reversals of long standing precedent by courts, no preliminary cases have been litigated in Illinois to pave the way. The costs of a lawsuit will be extremely large and the potential payoff will likely not occur. As Douglas L. Whitley, President of the Taxpayers' Federation of Illinois and a respected government finance specialist, recently wrote, "the proponents of a judicial resolution may find that a pending lawsuit provides just the excuse politicians need to further postpone decision-making."

The Need for a Political Strategy

The current school finance problems in Illinois require a political solution. If we are to achieve more adequacy and equality of funding, more equal educational opportunity, and greater social justice, the solution lies with the General Assembly and the Governor. Even if there were a state supreme court decision declaring the present school finance system unconstitutional, all the state's high court would mandate is that the legislative and executive branches arrive at a constitutional system. The courts cannot raise taxes or change legislation. Legislatures and governors together can, however.

Some have argued that a political strategy will not work, because it has not worked up to this point. To me, that is a rejection of the

democratic process and a blueprint for failure. Ultimately, we must trust the people. We have no other choice but to pursue a political strategy. A political solution will require visionary leadership and uncommon compromise. At least until now, both have been lacking in the education community. Every faction prefers no action at all unless their special interests are also advanced. This has resulted in school finance gridlock.

But, what are the elements of a political solution to our school finance problems?

The Elements of a Political Solution

There are a number of elements that must be part of a political solution.

1. *The first element of a political solution must be the reduction in spending inequities across school districts, but it needs to be achieved by bringing low spending districts up to a reasonable level, not by bringing high spending districts down.* The level of resources must be much more closely related to educational need. We can document the close relationship between poverty and low educational performance. We know how to educate children from poverty homes, but it is expensive. If we believe in the future, we must find a way to raise the necessary resources. I do not believe that absolute equity in funding levels is necessary, but until we find a way to enable those districts that are currently underfunding education to raise spending levels, then absolute equity may be a laudable goal. There are those who oppose this because they want to continue their pursuit of privilege and the perpetuation of inequality, but they cannot be allowed to prevail.

2. *Secondly, we must honestly face the fact that this will cost a great deal of money.* To equalize by leveling up to a reasonable level of adequacy will cost between $1.25 and 1.75 billion, and the only reasonable source of funds is state revenue. An increase in the state income tax of at least another one percent beyond the temporary surcharge passed last summer is needed. We must face this issue squarely and if we are not willing to support such a state tax increase,

then we might as well give up the fight for fair and just school funding now.

3. *Thirdly, we must find a way to equalize tax burdens.* High property tax jurisdictions, many of them in the suburban areas, need property tax relief, but not at the expense of the schools. There are vast portions of this state where tax justice requires property tax increases. We could do this through a variety of means, including:

1. A state funded property tax relief mechanism.
2. A uniform, statewide property tax rate for schools.
3. State assumption of the costs of education, thereby replacinglocal school property taxes with state funds.

All of these ideas are viable and technically possible. What they currently lack is the application of the political will to do the right thing. When discussing high local property taxes, however, keep in mind that property taxes on residential property are deductible on the federal income tax, and the burden of increased property taxes on homeowners is partially subsidized by the federal government.

4. *Fourthly, we must understand that there is no magic formula that will do the job painlessly.* The precise formula used to distribute monies to local school districts is far less important than the level of state funding provided. In fact, our current formula would work quite well if the foundation level were set at a reasonable and adequate level. So would other formula types such as a guaranteed tax base formula or a percentage equalizing formula. Proponents for change should not become embroiled in battles over formula elements and concentrate on the important issue---the level of state funding for public schools.

5. *Finally, understand that there are risks in all of this.* Change does not come easily and without costs. Other states have wrestled with these issues and no easy answers have been found. I do not think that we want to experience the political wars about school finance that are currently crippling both Kentucky and Texas. Illinois deserves something better. Keep in mind that California achieved equity by leveling down to a mediocre level of education. In fact, in that state equity advocate John Coons, a law professor at the University of California at Berkeley,

has for years now maintained that the only path to equity is through a statewide voucher system, something he has campaigned to get on the California referendum ballot many times. He will be here in the state next month; ask him about how he thinks equity can be achieved in Illinois.

Another risk is that those areas of the state with the greatest wealth, and also the greatest political power, will decide selfishly that the status quo is perferable to any change because of the costs involved for them. To do so might be successful in the short run, but in the long run it will result in regional warfare in the state and to the diminution of quality of the state's school system, its attractiveness for economic growth, and for the quality of life of the entire state. Everybody must be brought on board for educational improvement.

Conclusions

The problems of school funding will never be solved if the education community in Illinois remains fragmented, leaderless, and without a vision of the future. A lawsuit is not the "magic elixir" which will suddenly make everything fine. A solution will be financially and politically costly, but a political strategy is the only route to success. While the costs are high, social justice in this state demands that we pay the costs. To compromise on social justice is to mortgage both our educational and our moral future. I believe that we truly do stand at a crossroads in Illinois. The 1991 spring session of the General Assembly will most likely be the place where many of these questions are answered. Will the choice be social justice and equal educational opportunity for all the children of the state of Illinois, or will it be business as usual? You control your own destiny. Which will it be?

SUMMARY OF WORKING GROUP FINDINGS

All Groups Summary

The purpose of this symposium was to initiate a dialogue about school finance in Illinois between a cross-sectional representation of individuals who were invited because of their knowledge and expertise. Symposium participants were divided into eight groups, each with two facilitators. The individuals were grouped to have representation of board members, superintendents, school business officials, legislators and representatives from various interest groups. All groups recognized that inequities currently exist in the accessibility and educational opportunities for students in Illinois. They also came to the recognition that there must be a solid consensus among the educational community to support statewide educational reform if meaningful reform is to be accomplished. The eight working groups at the symposium realized that:

1. There is diversity throughout the state with respect to the following dimensions:
   a) Educational expectations of parents
   b) Available resources
   c) Cost of providing educational services
   d) Regional differences in providing property tax relief
2. And that equal educational funding does no provide equal educational opportunity

Given that, the following are some of the most commonly agreed upon goals which emerged from the small group sessions.

1. To educate every child to the level of his or her potential
2. To have a school funding system with the following attributes:
   a) Equitable collection and distribution of tax revenues
   b) Adequate amounts of revenue
   c) Predictable and reliable revenue
   d) Timeliness so as not to frustrate the budget process

e) Stable source of revenue
f) Source of revenue which will provide growth

3. Consolidation of school district accounts into two funds:
   a) Operating
   b) Capital outlay
4. An emphasis on equitable collection and distribution of diverse tax revenues which might include but is not limited to:
   a) Education income tax.
   b) Local option tax.
   c) State property tax.
   d) "Sin" taxes.
   e) Value-added tax.
   f) Transaction tax on stocks and bonds.
5. For funding purposes only, all school districts treated as either unit or dual districts.
6. If there is to be a leveling of spending per pupil, it must be leveled up, not leveled down.
7. Reorganization of school districts which are too small to be economically efficient.
8. A substantial increase in the per pupil foundation level to at least $5,000.
9. If small schools in sparsely populated regions are to be able to provide a quality educational experience for their students, they must have access to technology (interactive television, computers, etc.).

Small Group Summaries

The following are summaries of the discussions of each of the working round tables that were provided by the facilitators for each group. A minimum of editing of the groups findings was done to preserve the integrity of the group outcomes.

Group One

The following is a summary of the discussion of the charge presented to the committee; specifically, identify goals issues and expectations for an equitable and adequate school finance system and develop an action plan. Desirable characteristics of a school finance system are that it is: 1) stable, 2) reliable, 3) growth-oriented, and 4) predictable. Those were the top four criteria. In addition, it was a consensus that the school finance system should be equitable, meaning that students throughout the state would have equal opportunities and that students' education should not depend on where they live nor should the educational program depend on the economic climate of the community. Local effort -- there should be some degree of effort or commitment on the part of the local community. A school finance system should recognize quality, it should provide taxpayer equity and finally, that it recognize student needs.

Upon reviewing each of these criteria, the group then moved on to the question of how to provide sufficient revenue to fund a program of this type. Some of the options which were mentioned were property tax, (including individual, non-residential and corporate); increased state income tax; increasing the sales tax; the lottery; of course, sin taxes; a local-option income tax; tuition tax credits; state education income tax; stock and bond tax (an exchange tax) for so much per share of each share that was traded on the stock exchange; and value added taxes. The point of these many options was that there are numerous measures of people's wealth other than simply looking at real estate. The idea being that the abilityto tap into more than one source of revenue would provide a more stable source of revenue and greater taxpayer equity.

A considerable discussion occurred concerning the characteristics of the fact that the property tax has low elasticity and some of the other taxes are quite highly elastic. The group also felt that it would be more appropriate to have state assessment of the real property to eliminate inconsistencies and to remedy inabilities of local township assessors.

It was recognized early on that the problem was not one simply of providing a new formula since any of the formulas presently in existence wouldprovide more equity if they were funded at a high enough level. The major problems are the vast differences in assessed valuation per pupil between the collar counties and certain islands of property wealth down-state and the rest of the state. Also, it was recognized that there needs to be a leveling up and not a leveling down of the educational programs in the state since many of the school districts are providing minimal educational programs at the present time.

Some suggestions which were also made in order to arrive at the growth criteria were that there be an automatic increase according to inflation, cost of living, or according to a percentage of the increase of the state budget over prior years. The group then attempted to develop an action plan which would accomplish the above goals and objectives. Some of the criteria of the action plan were as follows: restructuring the distribution system for income so that school districts would know what their local taxes and state aid would be for the year beginning July 1st by March 1st; elimination of the disparity of assessment by having statewide assessment. Another point was made that a foundation level should be established which was at the 60th percentile of the statewide previous year's per capita tuition charge. However, subsequent year's foundation level would be subject to an automatic increase equal to the percent of the CPI on a statewide basis; that is, that if the Consumer Price Index increased four percent, the foundation level would be increased by four percent.

The next point was that all districts would be treated the same; that is organizational neutrality for the purposes of funding. Unit district's tax rates would simply be a combination of the dual districts, or the dual districts would simply be half of the unit districts. But in any case, for finance purposes there would only be one kind of district in the state.

The next item was supplemental payments for low income children based upon the federal free-lunch guidelines as a part of the formula replacing the present Chapter 1 weighting.

The next portion of the action plan was state-assessed and state-collected non-residential property taxes and that these would then be distributed to all districts based upon the equalized assessed valuation per pupil. There would be a hold-harmless provision for local property tax income to high valuation districts, however, as their assessed valuation continued to increase, the increase would go into the state assessment.

The next recommendation was that if the school district can raise what is approximated as an appropriate level of funding at a predetermined tax rate, it would not be eligible for any state aid. The final recommendation of the group was that the further meetings be held to discuss these issues.

In summation, the group was very strong on several points. One was that the foundation level needs to be drastically increased and then provide a constant source of revenue growth. Secondly, that many school districts are, at the present time, providing minimal programs which cannot stand any further cuts. Further, the place of residence of a child should not be a factor as to the quality of education that the child receives. And, finally, that there must be a leveling up and not a leveling down of educational programs throughout the state.

Group Two

Goals, Issues and Expectations

1. Students must be able to shape a changing global society.
2. There must be equal opportunity for all students.
3. Schools need to allow input from the community so that programs will reflect the values of the community.
4. There must be adequate, timely and predictable finances available to the schools.
5. There must be a fair distribution of the state's resources.
6. There must be an allowance made for local financial options.

Components of a Fair and Equitable System of School Finance

1. There must be a recognition of the differences in educating children across the state.
2. There must be equitable access to revenues.

Action Plan

1. Develop a knowledge base of the costs of educating children.
2. Unify the educational community towards a common goal.
3. Reduce the reliance upon the property tax.
4. Increase reliance upon the state income tax.
5. Allow a local income tax, or
6. Allow a local property tax to provide for local initiatives.

Group Three

Goals, Issues and Expectations

It was the opinion of Group Three that political reality precluded any drastic and substantial reform of state school finance. Therefore, it is paramount that educators across Illinois unite in a cohesive coalition to change political reality. Accomplishing that task will require a massive public relations campaign to convince Illinois' citizens and policy makers that education is, in fact, doing a good job of educating the youth of Illinois -- especially in light of the fact that education is so drastically underfunded. We have to work to develop support for a significant income tax increase to raise the minimum per student expenditure to approximately $5,000, as well as provide for some measure of property tax relief in high taxing districts.

The increase in the foundation level to $5,000 should be phased in over a three year period. Access to the increased foundation would be contingent upon a qualifying tax rate. Replacement funds would have to flow to collar counties where no state aid flows, but property taxes are abated. The current formula can be used to distribute the new dollars but with consideration of some additional factors. These factors include cost of living (the McMahon Cost of Living for example), income factor for low income districts, and reward for tax effort. Additionally,

the disparity between funding for elementary and high school districts needs to be eliminated. A cost of living or inflationary increase must be part of the foundation, and local variances should be recognized by not allowing any caps.

Support for this ambitious plan requires a plan of action. This plan is divided into five parts.

Action Plan

1. Obtain from the gubernatorial candidates a commitment to appoint a Blue-Ribbon Commission to study school finance;
2. Appointment of the Blue-Ribbon Commission by the governor and legislature following next election;
3. Threat of a legal challenge to increase awareness -- but not necessarily support of filing a suit;
4. An ambitious PR campaign to develop citizen support;
5. Preliminary recommendations from the Blue-Ribbon Commission in June.

Group Four

Goals, Issues and Expectations

1. The State needs to define what is an adequate program for school districts.
2. After an adequate program has been defined, the foundation level for schools should be increased to at least $5,000.
3. School districts should be held accountable for efficient operations.

Components of a Fair and Equitable System of School Finance

1. There needs to be additional income tax monies made available to the schools,and these additional funds need to be coupled with property tax relief.
2. Invoke an "education income tax."
3. Retain the present surcharge and add to it.

4. Eliminate the practice of school districts incurring long-term debt to finance current operating expenses.
5. Consolidate the three current funds (Education, OBM and Transportation) into one fund with a $3.50 qualifying tax rate.
6. Any change in the formula (such as increasing the foundation level to $5,000) should be phased in over a three-year period.
7. The flat grant should be eliminated.
8. The state needs to "clean up" the present assessment ratios.
9. Drop the weighting for high school students to 1.10.

Group Five

Goal

The primary goal of education must be to educate each child to the level of his or her potential.

Issues Which Prohibit Us From Reaching That Goal

Lack of financial resources.

Low family, community and school expectations.

Schools are saddled with many non-educational (social) problems.

Components of an Equitable and Adequate System

The state must provide or guarantee a minimum of $5,000 per student with no strings attached to be able to come close to achieving the goal of more complete educational services. The particulars (more complete educational services) must be determined at the local level: in some districts, a goal might be achieving a class size of 21 in elementary classes, in another it might be bringing expanded science offerings into the school and in another it might be establishing a higher minimum starting salary for teachers.

Action Plan

We need to build a solid consensus among the educational community.

We need to argue for increased funding based upon the principle of the "greater good."

Group Six

Goals, Issues and Expectations

The primary goal of the State's educational policy should be to provide equal educational opportunity so that each child can reach her or his own potential, in spite of local and regional fiscal and cultural differences.

Components of a Fair and Equitable System of School Finance

1. Present state finance structure to include monies from the general revenue.
2. State-wide real estate tax.
3. Local personal property tax.
4. State income tax.
5. State corporate personal property tax.
6. Develop a plan for total state funding of education.

Action Plan

1. Connect in a positive way the issue of taxpayer equity with the effort to equitably finance education in Illinois.
2. Address the issue of organizational and administrative structure of the public school system within Illinois.
3. Form a statewide "Blue-Ribbon Commission" which will study the antiquated public school financial system and;
4. Develop a statewide plan to present to the legislature.

Group Seven

Goals, Issues and Expectations

1. More revenue for education with taxpayer equity.
2. Method of distribution of revenues with student equity.

3. Define adequacy as bringing our rank among 50 states in terms of state educational expenditures per capita in line with our rank in terms of per capita income.
4. Maintain our local control.
5. Consolidate the present three operating funds into one.

Components of a Fair and Equitable System of School Finance

1. Guarantee that local effort will bring in the same dollars regardless of tax base, that is, a guaranteed tax base so that school district income is dependent only upon the local effort.
2. Recognize the political realities and unique differences of Illinois. This would include property tax relief and perhaps permit the levying of a local income tax.
3. Realign school district boundaries. Move toward consolidation and reorganization to reduce the number of school districts that exist at the present time. This reduction should be based upon efficiency, effectiveness and the economy.
4. Guarantee that education will receive 30% of the general revenue fund along with the current taxes that are earmarked for education and any new ones that are levied to "level districts up."
5. For funding purposes only, treat all districts as one type.

Group Eight

Group number 8, composed primarily of superintendents, agreed that equity is the overriding concern. Disparities among Illinois school districts, even between neighboring districts, must be addressed.

However, the group agreed that "equity" does not mean simply the same amount of dollars for each school district. A definition of equity must address the need for all school districts to have access to sufficient resources to allow them to offer a quality education that meets the needs of children.

Other Issues Identified by the Group

1. We need to identify primary funding sources as we revise the way school funds are distributed. We must be clear as to from where money will come. This may not be a single source -- indeed, a diversity of funding sources may be strength if there is a guaranteed, adequate "bottom line."
2. Funding needs to stabilized. It is now impossible for schools to plan ahead for two or more years, because the don't know how much money they will have. In Iowa, for example, schools know at least one year in advance how much money they will have. They begin teacher negotiations in December and complete them by February for the following fall.
2. We must define "education and the results desired from our schools. Because schools are expected to address so many noneducational needs, it's harder for them to achieve the same academic results as in the past-- let alone better results. We need to define our goals and our criteria for measuring success.
3. Farmland assessments are a problem in many areas. Because of the formula, the assessed value of farmland takes five years to show up in the state aid formula. Farmland in general is undervalued. Schools shouldn't have to take the brunt of the declining assessed value of farmland.
4. Taxpayers perceive the property tax as unfair: the rate stays the same, but people are paying more money because of increased valuation. This is perceived as an increase in rates.
5. It's hard to arrive at a definition of property tax relief -- it means different things in different parts of the state.
6. Regional equalization of property taxes might be a solution -- but there will be resistance from districts that become "haves" when they gain an industrial park, shopping center, or nuclear power plant (even though the income that sustains those endeavors is collected from a wide area.)

7. Public perception of education spending is a problem -- the public believes that schools are spending more and more money and not producing better results.
8. Some districts need considerable help just to restore their viability, and others are running just to stay in place.
9. Tying extra dollars to higher test scores is problematic, because schools are getting more children who are harder to teach -- those from poverty households, those for whom English is a second language, latchkey children, etc.
10. We need to identify new sources of taxes -- for example, information and services, which are now by and large untaxed.
11. We need to disseminate better information to taxpayers about the generally low level of taxation in Illinois.
12. The group was divided as to whether a longer school day or longer school year would be productive.

Components of a Fair and Equitable System of School Finance

1. Less reliance on the residential property tax, which should be balanced by one or more other taxes.
2. Distribution of property taxes should be restructured. There should be less reliance on district-based funding.
3. There should be a broadly-defined core curriculum -- not to be confused with a "back to basics" approach. The definition should make clear that the core curriculum must provide a quality education encompassing the information and skills students need to function in today's world. The state should guarantee that each school district will have enough resources to provide the core education. For districts that choose to expand offerings, there should be incentives or rewards.
4. We should keep the weighting system, which recognizes that it costs more to educate some children than others.
5. Special education funding should be more adequate and should be separate from other funding.

6. Non-education costs, such as liability insurance, transportation, asbestos abatement and a host of other costs should be funded separately, so that there is a clearer understanding of how much is actually spent on education.
7. The system needs to be one that taxpayers will see as fair.

Action Plan

1. The school community -- including pre-kindergarten through higher education -- needs to reach a consensus so that it can speak with a cohesive, coherent voice.
2. The education community needs to set priorities and present a coherent agenda to lawmakers and state officials.
3. Long and short-range objectives should be set. The various factions of the education community should be willing to compromise on short-range objectives in order to reach the overriding long-range objective -- equity of opportunity for all children. For example, a short-range objective might be support of Chicago reform, which downstate educators should be willing to support as a step toward the long-range goal of equity.
4. It is necessary to recognize differences in different parts of the state -- for example, property tax relief means different things in different regions. It is also necessary to recognize the varying cost of education in different parts of the state.
5. We need to pursue a political solution using all available avenues.

SUMMARY OF DISCUSSION WITH REACTION PANEL

The summary of working groups' findings and recommendations was presented during the second day session, moderated by Gordon Hoke. A panel made up of representatives of key interest groups responded to the summary.

Reaction Panel

The Honorable Helen F. Satterthwaite,
Chair, House Elementary and Secondary Education Committee

The Honorable Robert P. Reagan,
Member, House Elementary amd Secondary Education Committee

Bernice Bloom,
Executive Director, ED-RED

Rich Clemmons,
Legislative Liaison, Farm Bureau

Gary Jewel,
Member, Large Unit District Association

Richard Haney,
Assistant Superintendent, Illinois State Board of Education

G. Allen Hickrod,
Director, Center for the Study of Educational Finance, Co-founder of Coalition for Educational Rights Under the Constitution

Linda G. Knibbs,
Associate Director, Illinois Association of Administrators

Robert E. Pyle,
Assistant Executive Director for Administrative Services, Illinois Association of School Boards

William Hinrichs,
Illinois State Board of Education, Finance Section

James D. Nowlan,
Professor of Public Policy, Knox College, Co-founder of Coalition for Educational Rights Under the Constitution

Moderator - Gordon Hoke,
Professor Emeritus, University of Illinois

The discussion withthe panel revolved around the following three topics:

1. Procedures for Action
2. Funding
3. Possibility of a lawsuit

1. Procedures for Action

The following issues and suggestions emerged as a result of the Day 2 discussion with the reaction panel.

It is absolutely imperative that the education community present a unified front on the issue of reforming school finance.

There is no way to achieve absolute equality in expenditures per pupil therefore, there is a need to arrive at a consensus on just how much disparity can be ethically accepted throughout the State of Illinois.

There is a need for both process and product in approaching the school finance issue. The educational community needs to develop a process that will enable the various interest groups to reach consensus on how to best bring about school finance reform in Illinois. When achieved, the educational community will be able to present one single product or plan with a broad base of support for school finance reform to the legislature.

Continued discussion of school finance on a statewide basis remains. A vehicle needs to be developed that will enable a continuing discussion of school finance reform throughout the state. Again, all of the various parties must be involved in the process.

Opportunities must be provided for legislators' participation in the process to enable them to "buy in" to

the plan. Any plan put forward by the educational community must be necessarily developed with input from key legislative leaders.

There is a need for a Blue Ribbon Commission to study the issue of school finance after the gubernatorial election. The Commission should consist of representation of all the various groups and organizations involved with a specified time table for results. The Blue Ribbon Commission should be made up of individuals appointed by the governor with input from the legislature. It is vital that the legislature be involved in the selection of the members so that the legislature will have "ownership" in the findings.

Accountability must always be evident in any plan that is proposed. Any plan to be considered by the legislature will need to show what the results of the additional funds will "buy" for the citizens of Illinois and what benefits will accrue to the children of the state.

The education community must address the changing nature of today's student body and how the schools can best meet the needs of children.

The process must not be limited to only seeking increased funding, but must also address other issues such as defining what is an "adequate" education forthe children of Illinois, attracting and retaining faculty, and the utilization of technology to enhance curriculum in the schools.

The educational community must make extensive efforts to inform the public of the financial problems facing the schools and the need for solutions through their efforts. The educational community needs to define what is an adequate education and also better inform the public about how well the schools are functioning.

Educators must address the issue of "regionalism" and work for cooperative efforts to overcome the issues involved therein. The issue of adequate school funding is a statewide problem and needs to be addressed by all concerned parties.

While there is a sense of urgency in coming to terms with the school funding issue, it is very likely that no action will take place on the reform of school finance until after the next election.

2. Funding

The group agreed that a definite need for change in method of financing education is required within state. Suggestions and possible considerations which emerged included:

The education community needs to point out exemplary programs and demonstrate the correlation in funding program excellence and availability.

Educators need to identify costs in preparing a student for the job markey or continued education. The need to clearly communicate to the public what the components of a "good" education and the costs associated with it are.

Due to the reality of the costs involved in changing the school funding formula, any plan that is advanced must encompass provisions for accomplishing the goal in stages.

Any change in the funding of Illinois schools must move from reliance on local revenue to a sharing of available statewide resources.

Any new plan offered needs to incorporate a method to assure stability of resources on a year-to-year basis.

A possiblility that would lessen reliance on property taxes, is for full funding of elementary education by the

state; school districts maintaining local control by using local taxes for secondary programs.

Some small schools might be better served by reorganization. The issue of school district organization in Illinois must be addressed.

Equity could be improved through use of technology. If Illinois schools are to adequately use the technologies available, they must be provided with the funds that will allow them to access, utilize and maintain the equipment.

Monies allocated for education may need to be placed in funds that can't be touched by the Governor and Legislature.

At present, ten percent of Illinois school districts have tax rates below the minimum to qualify for state support in the Resource Equalizer. Most are wealthy districts. These districts should be mandated to raise their level to some agreed upon minimum.

Many people throughout the state have vested interests in keeping schools open.

If a huge increase is asked for in income tax, there must be an adjustment in property tax.

To raise funding to $5,000 per pupil would require a 41/2% state income tax.

If we only level up the funding of schools, we will price ourselves out of existence.

The State may want to resurrect the Resource Cost Model.

The State must shift from property tax to income tax even if the collar counties lose 60% to the downstate schools.

Disparity in the present funding of schools is caused by wealth (in terms of equalized assessed valuation and property tax rates.

The state must consider cost differentials when discussing disparity.

It would cost 2 1/2 billion dollars to bring schools up to levels which are being proposed (approximately $5,000/pupil minimum).

For the last 14 years, the variance in per/pupil expenditures has increased.

3. Possibility of a Lawsuit

The following issues emerged regarding the possibility of a lawsuit, as proposed by Allen Hickrod and James Nowlan, co-founders of the Coalition for Educational Rights Under the Constitution, to challenge the constitutionality of the current school funding formula.

It is impossible to predict what the courts will do. Some of the participants believe that the solution is through the courts and some believe that a legal challenge is the only way to achieve meaningful reform.

When you go after a court action, you do not specify the solution.

A lawsuit may be needed for the issue of school funding to be discussed seriously by the legislature. That is, the threat of lawsuit may be enough to activate the Legislature.

If something is not done soon, the state will be threatened with a Proposition 13 situation as well as a lawsuit, dueto the current unrest over the property tax.

Court case would force General Assembly to recognize the issues of regionalism throughout the state.

If a plan can be devised where no one really loses, then perhaps the issue would be settled before a court decision.

In states that have had litigation there has been a substantial increase in State Aid -- that's what is wanted here.

When you go to court, you don't specify the solution. You don't need to specify a specific remedy.

The discussion of a possible court suit has brought school finance issues to the attention of legislators.

If the state court does not recognize the fundamental right of children to an education, then change the Constitution (IL) Art 10, Sec. 1.

An increase in the personal income tax to a rate of 4 - 4 1/2 percent appears possible only with judicial intervention.

Getting increased funding is "winning" regardless of judicial ruling.

MODERATOR'S COMMENTS
GORDON HOKE: PROFESSOR EMERITUS
UNIVERSITY OF ILLINOIS

Context

In a paper entitled "Situational Context as Influence on Evaluation Design and Use," a noted scholar cites the following statements made by Lee Crombach of Stanford University.

> . . . To speak of an effect (of an intervention) is short-sighted. The circumstances surrounding the intervention are part of the cause.
>
> The author then writes:
>
> Educational programs, like most objects worth study, have important contexts: temporal, physical, spatial, social, political, economic, etc. . . . An educational practice has its habitat, its milieu, its frame of reference, its zeitgeist--not one but many contexts. . . .

Clearly the WIU Symposium "Financing Illinois Schools in the 1990's" mirrored the cautionary words expressed above. David Taylor noted in opening remarks that "we have an important cross-section of Illinois"; and I was pleasantly surprised by the "mix." True, IEA representatives were absent, and the area north of I-80, particularly the Chicago metro region, was underrepresented. Nonetheless, the sampling wasn't as narrow as I had anticipated.

Hovering over the symposium was the debate regarding pros and cons of a proposed court battle over funding. Proceedings gave this argument an opportunity to be discussed on a broader basis. These transactions may have been some of the most crucial episodes during the two days.

Symposium planners did an excellent job of accommodating, and capitalizing on, informal exchanges. Some of the most rewarding ones I've ever witnessed in a relatively brief period of time.

Background (position) papers, however, did not acknowledge the importance of contextual factors. Only the IASA statement prepared by Linda Knibbs responded to this concern. In particular, Linda's reference to Illinois' extreme diversity should be hailed. It seems to me, for example, that the state is indeed more diverse than was the case when I was growing up in pre-World War II Arthur. Linda reminds readers that when such diversity is combined with undue fragmentation of civic institutions monumental problems of management and governance result.

In addition, there was no discussion in position papers of the viability of current approaches to delivering public education. No treatment of new sources of competition for tax funds--e.g., the environment.

Key Issues

- General agreement that we are at a critical juncture in Illinois, and not only with respect to financing public schools.
- Year after year, same problem: education and its funding.
- What is the (new) money going to buy?
- The need to move away from place of residence as the basic determinant of equal access to education, to equal opportunity.
- Full state funding as not necessarily all positive.
- Income tax increases to help relieve burden on property taxes.
- Cook county and "Collar Counties" --their pivotal role, to be underscored by 1990 Census returns.
- No "magical" answer to our problems.
- What is "efficiency"? Its ties to actions in Texas and Kentucky, to forthcoming lawsuit in Illinois?
- Formula not the answer; it's the amount of money available.
- Risks: change does cost!
- Lawsuit as part of political strategy, an attempt to use all tools.
- Need for coalitions, to work together at all levels.

- Symposium not making policy, only recommendations.
- Equity. How to define it?
- Planning at local level virtually impossible because of funding uncertainties.
- What do we want to preserve in current system?
- Changing nature of student population, of households--a cost factor.
- Fear of anti-tax revolt in Collar Counties gaining momentum, spilling over into downstate.
- Need to look at total picture of funding for public education: everything "on the table": ESCs, ESRs, Special Education, etc.
- Equity as long-range goal, "winners" and "losers" along the way, eventually all "win/win."
- We could get both a lawsuit and an Illinois version of Prop. 13.

Judgments

Acknowledging that I am certainly not a credible authority on fiscal matters, let me present the following responses to Symposium proceedings.

There was scant discussion of equity defined as "social justice"--the definition offered by Jim Ward. In fact, there was little serious discussion of equity in settings where I was participant. Most of those transactions focused on the need for more money, what ever the intent or purpose. In other words, equity is "adequacy," as Jim Nowlan asserted, but under what conditions? And it's the conditions (context) that rest at the heart of our dilemma.

There seemed to be grudging acknowledgement that qualitative changes will have to be made if substantial amounts of new money are forthcoming, yet there was little serious examination of what might constitute those changes. From my viewpoint, all presenters, plus the three legislators, underscored this need.

In a similar vein, there was no appraisal of how much--i.e., what proportion?--of an income tax increase would be set aside for schools.

Again, the combination of presenters and legislators warned that all of it would not be available.

The movement of economic development to the area north of I-80, the growing influence of Collar Counties and their adjoining neighbors, both phenomena to be reinforced by 1990 Census data, received little sustained attention.

There appeared to be minimal recognition that all effects of a major intervention, such as the contemplated lawsuit, cannot be safely predicted or anticipated. (Note Cronbach's opening statements.) Reactions by legislators, for example, could impact on arenas where changes are not desired by advocates of the lawsuit.

Summary

I think the Symposium was an excellent forum for creating and advancing awareness of the fundamental problem. It also presented opportunities for enlarging the base of understanding relative to the pros and cons of a lawsuit. This outcome, too, was important. How can this awareness be extended? The level of understanding enhanced? The WIU-generated momentum sustained?

My recommendation would be that, once the lawsuit is filed, a blue-ribbon commission should be created to examine issues cited above. This Commission should release periodic statements concerning its progress, such statements to be developed, distributed, and utilized as "Learning Guides" for the media and for various "publics." The complexity of problems to be addressed is virtually overwhelming.

Frankly, I visualize a different calendar than was true of most participants. For me, 1992 is the first critical year, chiefly because Census data will undergird elections for that year, with General Assembly members interpreting and implementing outcomes of the Census. Results of the lawsuit may, or may not, be evident by 1992. In any case, I do not see 1991 as the target data pinpointed by many persons attending the Symposium.

At mid-point of this decade, I expect the following changes will be in place. First, a new formula and additional funds will be available for

public schools regardless of what transpires with the lawsuit. Second, a surprisingly large--to many observers--number of downstate school districts, communities, townships, counties, and other forms of institutions and jurisdictions will have been subsumed by larger configurations.

APPENDIX A

CONFERENCE AGENDA

Financing Illinois Schools in the 1990s
Invitational Symposium
Western Illinois University
University Union
January 24-25, 1990

Wednesday, January 24	**Heritage Room (2nd Floor)**
8:15 - 9:00	***Coffee and Rolls***
9:00 - 9:40	***Introduction and Overview*** David Taylor, Dean of WIU College of Education Representative Bill Edley, Illinois Legislature Gordon Brown, Acting Chief of Staff, Illinois State Board of Education
9:40 - 10:15	***Illinois State Aid: Theory and Practice*** Robert Arnold, Research Associate for the Center for the Study of Educational Finance and Associate Professor, Illinois State University
10:30 - 11:10	***Funding School Reform*** William Hinrichs, School Finance, Illinois State Board of Education
11:10 - 11:45	***Political and Legal Realities of School Finance*** Jim Ward, Associate Professor of Educational Policy, University of Illinois and Research associate for the Center for the Study of Educational Finance
12:00 - 1:15	***Lunch -- Lamoine Room***
Afternoon Session	**Meeting Rooms Assigned** ***Working round tables***
1:30 - 3:00	Goals, issues, and expectations for an equitable and adequate school finance system
3:30 - 5:00	Action plan -- How do we get there?
Evening	**Lamoine Room**
5:00	***Reception*** Sponsored by the WIU Foundation (drinks and hor d'oeuvres)

6:30	***Dinner*** Keynote by WIU President Ralph Wagoner
Thursday, January 25 7:30 - 8:30	**Heritage Room** ***Continental Breakfast***
8:30 - 9:45	***Presentation*** Groups' priorities and recommendations for equitable and adequate funding of education to Panel of Experts for reaction
10:00 - 11:15	***Presentation*** Groups' action plans for "getting there" to panel of experts for reaction
11:30 - 12:00	***Wrap-Up: Where do we go from here?***

Reaction Panel

Gordon Hoke, Panel Moderator
Professor Emeritus, University of Illinois

William Hinrichs, School Finance
Illinois State Board of education

Richard Haney, Assistant Superintendent
Illinois State Board of Education

Alan Hickrod, Director
Center for the Study of Educational Finance

Robert E. Pyle, Assistant Executive Director
for Administrative Services
Illinois Association of School Boards

Linda Knibbs, Associate Director
Illinois Association of School Administrators

The Honorable Helen Satterthwaite, Vice Chair
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The Honorable Robert Regan, Member
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Bernice Bloom
ED-RED

Gary Jewel
Large Unit District Association

James Nowlan, Co-chair
Coalition for Educational Rights under the Constitution
Voice of the Prairie

Rich Clemmons, Governmental Affairs Programs and Legislative Liaison
Farm Bureau

APPENDIX B

POSITION PAPERS

JANUARY 8, 1990
SCHOOL FINANCE PRINCIPLES
OF THE
ILLINOIS STATE BOARD OF EDUCATION

Preamble

The following principles are intended to serve as a benchmark against which any general state aid proposal, offered in response to the repeal of the current general state aid formula, may be judged. Since the state has a constitutionally specified "primary responsibility" to provide support for the public schools of Illinois, the state's support of education must be increased. This clearly implies the need for significant increases in some form of state taxation. The goals of equity and adequacy are the two primary goals addressed in these principles. These can best be accomplished by guaranteeing each public school student in the state an adequate "foundation level."

ISBE Principle I:

The general state aid law should guarantee for all public school pupils in Illinois combined state and local financial support sufficient to operate an adequate educational program.

Rationale: A fundamental goal of the State of Illinois is the educational development of all persons to the limits of their capacities. In order to make progress toward the achievement of this goal, the funding of adequate educational programs is a necessity. It has long been the philosophy of the State of Illinois that both state and local revenues be used in combination to provide adequate funding for education. This philosophy provides for local control within each public school district while providing a regulatory structure at the state level for all schools.

ISBE Principle II:

The general state aid formula should neutralize the effects of factors beyond the control of local districts which cause differences in real resources or service levels per pupil.

Rationale: Equity considerations require that differences such as local wealth per pupil and regional costs be taken into consideration.

ISBE Principle III:

The state has the responsibility to objectively define adequacy upon which an appropriate foundation level can be based.

Rationale: Although many alternatives exist upon which to base the level of funding, the most recently available audited median per capita tuition charge is currently considered to be one appropriate target foundation level.

ISBE Principle IV:

The general state aid law should allow for expenditures above the amount guaranteed from combined state and local resources which results from local preference for educational services and should also provide additional general state aid for low and medium wealth districts which choose to exert additional local tax and educational effort.

Rationale: Because of the diversity of the state of Illinois, local schools should have the right to exert local control over preferences for educational services that exceed state-determined adequate levels and to tax themselves at rates necessary to do so. Low and medium wealth districts need additional state assistance to exercise this local fiscal control.

IBSE Principle V:

Local school districts should be allowed proportionally equal taxing authority. The permissive maximum tax rates for unit districts should equal the sum of the permissive maximum tax rates of elementary and high school districts.

Rationale: All local school districts should be provided the opportunity to exert the same relative taxing authority. Since a common school education spans both elementary and secondary levels, local districts should be allowed proportionally equal taxing authority.

IBSE Principle VI:

Tax rates used to determine the local contribution in support of the foundation level should be commensurate with the maximum permissive tax rates of local school districts.

Rationale: To be equitable in the distribution of general state aid, given equity in local permissive tax rates, the local contribution should be calculated using only the combined maximum rates from designated fund categories.

IBSE Principle VII:

In order to access full general state aid, each local school district should tax at least at a state-determined qualifying local rate.

Rationale: Subject to wealth considerations to determine eligibility, local districts should exert a minimum local tax effort in order to qualify for full general state aid.

IBSE Principle VIII:

The measure(s) of school district wealth used in the general state aid formula should be tied to existing sources of local tax revenue to which districts have access.

Rationale: The ability of a community to support education on the local level should be based on sources of revenue available to the local school district. No measure of local ability should be used for which current and reliable data are not available.

IBSE Principle IX:

General state aid should adjust to the degree of poverty impaction in the school district. The criteria should reasonably measure poverty impaction and should be updated periodically.

Rationale: Evidence clearly indicates that children living in poverty cost more to educate equitably. The current Chapter 1 count is neither timely nor accurate. New measure(s) of poverty impaction that can be updated on an annual basis should be developed.

IBSE Principle X:

The general state aid law should be neutral as far as the three types of school district organization are concerned.

Rationale: Incentives or disincentives to school district organizational preference should not be incorporated in the general state aid formula. Students should not benefit or be deprived on the basis of the type of district they attend due to the preferential distribution of general state aid.

IBSE Principle XI:

Equity should be approached primarily through the process of leveling up per pupil resources through additional general state aid.

Rationale: The primary goal of the Illinois State Board of Education and all local boards of education is to achieve high-quality education for all pupils. The current great disparity in per pupil support can only be reduced by injecting additional state funds and by channeling those funds to the districts in the lower portion of the distribution.

IBSE Principle XII:

The state should provide mechanisms to assist local districts in mitigating extreme fluctuations.

Rationale: School districts should not be deprived of funds for education due to circumstances beyond their control.

IBSE Principle XIII:

Categorical state aid should remain separate from the general state aid formula and be subject to annual adjustments to ensure that the state fully funds its share of categorical program costs.

Rationale: For years Illinois has funded general state aid separately from categoricals. Keeping the funding categories separate will tend to be more easily understood by educators and non-educators alike. Additionally, this funding mechanism permits funds targeted to specific need students to be more easily tracked. In order for these programs to be effective,

it is necessary for them to be fully funded and annually adjusted to reflect actual costs.

IBSE Principle XIV:

Neither the current permissive taxing authority nor referendum-approved taxing authority of local districts should be reduced.

Rationale: Historically, the ability to support education at the local level has been of prime importance to the maintenance of the educational system.

IBSE Principle XV:

Revenues for education must be increased. Stable and reliable revenue sources, including but not limited to the local property tax and state income tx, should be maintained.

Rationale: Currently, the local property tax and state income tax are reliable sources of funds for education and should be maintained. Since the demands and costs of education continue to rise, it is necessary to secure additional funding and explore new sources of revenue in support of these evolving conditions.

IBSE Principle XVI:

The general state aid law should provide some financial support for each district.

Rationale: Because education is a combined state and local responsibility, each local school district should receive some state dollars.

ILLINOIS ASSOCIATION OF SCHOOL ADMINISTRATORS-
ILLINOIS ASSOCIATION OF SCHOOL BOARDS
SCHOOL FINANCE PRINCIPLES

Preamble

The following principles are intended to serve as a benchmark against which any general state aid proposal may be judged. These principles must be considered collectively and not viewed as individual entities. The concepts of equity and adequacy are the two primary concerns addressed in these principles. In order to achieve these important goals, the state's proportional share of total revenues to support education must be increased. This can best be accomplished by guaranteeing each public school student in the state an adequate "foundation level".

Principles

- The general state aid law should guarantee an adequate educational program for each pupil in the state by providing equal access to a combination of state and local revenues.
- The general state aid law should guarantee each public school pupil adequate funding to be defined as a foundation level not less than the prior year audited median per capita tuition charge.
- The general state aid law should allow for expenditures above the amount guaranteed from combined state and local resources which results from local preference for educational services and should also provide additional general state aid for low and medium wealth districts which choose to exert additional local tax effort.
- Local permissive tax rates for unit districts should be equal to the sum of those rates for elementary and high school districts in the Education, OBM, Transportation, Working Cash, Special Education, and Fire & Safety funds.

- Tax rates used in general state aid formula calculation should not be greater than the sum of the local permissive tax rates for the Education and OBM funds.
- In order to access full general state aid, each local school district should tax at a required qualifying local rate.
- The measure(s) of school district wealth used in the general state aid formula should be tied to existing sources of local tax revenue to which districts have access.
- General state aid received should be adjusted to vary with the degree of poverty impaction in the school district. The criteria should reasonably measure poverty impaction and should be updated periodically.
- Incentives or disincentives to school district organizational preference should not be incorporated in the general state aid formula.
- Equity should be approached through increasing the state's contribution rather than reducing local funds for education or reallocating the state's contribution.
- Categorical aid should remain separate from the general state aid formula but should be fully funded and subject to annual adjustment.
- Neither the current permissive taxing authority nor referendum approved taxing authority of local districts should be reduced.
- Revenues for education should be increased while maintaining stable and reliable revenue sources, including but not limited to the local property tax and state income tax.
- The general state aid law should provide some financial support for each district.

LARGE UNIT DISTRICT ASSOCIATION
SCHOOL FINANCE PRINCIPLES

LUDA Principle I:

That Illinois should enact major revisions in its systems of public school finance which include, but extend far beyond, the General State Aid Formula.

Rationale: The current General State Aid Formula distributes less than twenty-five percent of the total dollars expended for education in Illinois. A majority of these dollars is generated from local property taxes. The tax bases against which property taxes are levied are dramatically disparate across the State of Illinois. Indeed, among the thirty-seven LUDA districts, the ratio of per-pupil property tax wealth has reached twenty to one in relation to the wealthiest and poorest districts.

Further, access to the tax base is unequal and currently a function of district type. The permissive tax rates which are afforded the various district types in Illinois are unrelated either to the cost or need for educational services. While the General Assembly has recently taken steps to allow the narrowing of these inequities in the permissive rates, it has subjected these changes to the backdoor referendum. The result could well be a fourth classification of school districts: high school districts, elementary school districts, unit districts with equalized permissive rates, and unit districts without equalized permissive rates.

The Large Unit District Association believes that the byproduct of these disparities is at the heart of the perceived unfairness of the system. We believe it unrealistic to think that the State of Illinois can use a mechanism which distributes only twenty-five percent of the resources available to correct inequities derived from huge differentials in property tax receipts.

LUDA Principle II:

That upon the achievement of parity among the district types in permissive rates, the issues of adequacy of the tax base and reformation of the General State Aid formula can be addressed more easily.

Rationale: LUDA believes that a major goal in the reform of the finance system should be that of identifying elements which bind the educational community together. Unfortunately, over the years, we have used the current distributive formula as a political instrument to divide limited resources among competing interests. The result has become a system which is currently without rationale and incapable of engendering the support of the education community.

A key step which must be taken to achieve a lesser politicized system will require policy makers to identify the appropriate relationship between the taxing power of high school districts and elementary districts.

Each type requires the proportional authority to achieve its respective mission. Unit districts can thereafter have the sum of the two. When permissive rates are proportioned and related to the task at hand, a neutral state- aid system can be put in place.

The assurance of parity among district types will also allow policy makers to implement more easily programs such as reward-for-effort initiatives. Over the years, several LUDA districts with low assessed values have gathered support for high tax rates. A system which rewards local effort is equally important to property poor schools.

LUDA Principle III:

That the present method of weighting pupils within the General State Aid Formula is inaccurate and should be revised.

Rationale: There is a prevailing belief among the education community that the current weightings used in the formula do not reflect the cost variations which actually exist. It is our belief that the current expenditure variations to be found among student-age groupings can be studied appropriately within the current operating practices of unit school districts. These can then be modified as necessary in order to reflect a broader concurrence as to how grade levels should be weighted to represent more accurately current costs. We believe that the achievement of a rational system of pupil weightings should be based upon something other than political outcomes.

In addition, LUDA believes that the State should find its own measurement of poverty for use in the formula. The current reliance on census counts makes the data suspect and subject to decade-long inaccuracies. While LUDA districts have not identified fully desirable alternatives, we do believe that free and reduced-price lunch counts may be an example of a preferred system for poverty weightings.

It has been suggested that the poverty weightings be eliminated form any future formula and be replaced by a system of categorical grants. If such an approach is considered, steps must be taken to assure that the funding of this categorical is maintained at 100 percent of the entitlement or the result will be that of further exaggerating the underfunding of districts with poor children.

LUDA Principle IV:

That venture capital initiatives and educational reform activities be pursued only as a supplement to a fully funded and adequate foundation program.

Rationale: In order to give impetus to a number of highly specific reform initiatives, the General Assembly has added substantially to the number of grant-in-aid programs operating outside the State Aid Formula. While the desire to target certain initiatives is understandable, policy makers must be aware of the eroding effect these initiatives can have on Illinois' equity problems.

Many laudable initiatives call for the distribution of State funds through unequalized per-pupil grants. Increasingly we are developing a new system of flat grants to disperse State funds without regard to local district wealth. For example, the K-6 Reading Improvement Grants distribute considerable State dollars, and do so with equal emphasis to both the poorest and richest school districts in the State.

The Large Unit District Association understands that some "set aside" for venture capital initiatives may be important to satisfy our desire for school improvement. Many of these reforms are important. LUDA believes that once the full funding of and adequate foundation program is satisfied, competitive-grant initiatives which provide opportunity for each district in Illinois to achieve lighthouse status are desirable.

LUDA Principle V:

That the General Assembly reevaluate the current mandates in terms of the "primary purpose of schooling" as defined in the Reform Act of 1985. Those mandates which remain should be funded via concurrent entitlements through which the State assumes the total cost.

Rationale: The accrual of mandates and categorical initiatives enacted by the General Assembly has substantially redefined the mission of the public school. LUDA believes that the legislature should reevaluate the mandates based upon the principles contained in the reform legislation of 1985. This act of the legislature requires that school districts devote primary energy and resources in fulfilling that mission. Current mandates which are not consistent with the mission should be repealed. Those which remain should pass a very rigorous test--a test that proves them representative of a compelling State interest.

Funding for these compelling mandates should be in the form of fully funded concurrent entitlements. Through full assumption of the cost of these State initiatives, the General Assembly will be permitted to target certain programs for special attention. It will also better assure the quality through which initiatives are delivered around the State. However, should the General Assembly continue or expand the current use of partial reimbursements for categorical programs, LUDA believes that an equalization component should be added. We need to assure that variant local revenue sources are not over taxed as a result of the inability of less affluent school districts to support the unfunded portion of the mandate.

LUDA Principle VI:

That further tampering with the property tax base and/or collection cycle should be considered only within the context of a new system of public school finance which assures adequate and stable revenue sources.

Rationale: The impact of tax relief and tax abatement programs on Illinois' school districts has been substantial. Many of the financial difficulties school districts are

facing are the result of the deliberate elimination of a large portion of the tax base with the promise that these losses would be replaced by or with State funds. The recent struggle of the legislature to maintain appropriate funding points out the risk of such an approach.

The result has been an increasingly complicated system seen as unfair among the various regions of the State and among taxpayers within the same region. We continue to shift the tax burden to a dwindling cadre of taxpayers. Now that property values have begun to recover in some parts of the State, the legislature is again tempted to look for ways to exempt property further from taxation or to alter the tax collection cycle. This temptation is understandable, and, as pressure grows for property tax relief, the schools will be further at risk of legislative tinkering with the only reliable source of revenue that remains.

The Large Unit District Association believes that the time has long passed when the State should have addressed its over reliance on property taxes to pay for schools. We believe that any search for a surrogate, however, should be part of a comprehensive look at public school finance, with the goal of assuring an adequate and stable revenue source to support the schools of the State. To expose an enterprise as critical as education to the current annual financing uncertainty without the backup of a stable property tax system or an acceptable replacement would be a disaster for Illinois.

We also believe that Illinois cannot adequately or appropriately fund the schools through an increasing reliance on a collection of supplemental sources such as the lottery, telephone message tax, used cars sales tax, and the like. The LUDA school districts believe that a major revenue source such as the General State Income Tax, the State Sales Tax, or a broadening of the base of these major revenue sources is necessary in order to support adequately such a major state function as education. We also believe that it is vital that the appropriate level of

funding necessary to support an adequate educational program for Illinois must be earmarked in the law and be set aside for school purposes.

LUDA Principles VII:

That resolution of the Equity Issues which surround our system of school finance must become our top legislative priority.

Rationale: Education in Illinois is burdened by an increasing perception that the system is unfair to both the pupils and the taxpayers who support it. Engendering support for a system which is viewed in this way is increasingly difficult.

As more and more persons contemplate litigation as the singular solution, the probability of extended conflict within the school community becomes more likely. The Large Unit District Association believes that the General Assembly must address the issues immediately to avoid a Constitutional crisis.

The political will to preserve our schools must be gathered with the same sense of urgency that Congress found to preserve the Social Security System. Indeed, the model adopted by Congress to create the Commission through which Social Security was preserved may well be applicable in this case. Preserving the schools is no less urgent and requires a similar bipartisan commitment.

ED-RED POSITIONS ON SCHOOL FINANCE: 1986

Background

ED-RED has continuously reviewed the issue of state support for the financing of public education. We have specifically addressed the need for increasing the share of state revenues for districts in the suburban area to prevent an increased property tax burden for local taxpayers. We have established the following principles that would, we believe, serve the needs of all districts in the State of Illinois.

Positions

Basic Finance Principles

The 1970 Illinois Constitution provides that "The State has the primary responsibility for financing the system of public education." The State's share of the cost of public education should achieve the constitutional goal through the commitment of revenues that are predictable, reliable and equitable.

The local property tax base must be maintained.

The State must provide "full funding" of all state mandated categorical programs.

General State Aid Provisions

The general state aid formula should guarantee public schools in Illinois a sufficient combination of state and local sources to operate an adequate educational program.

The general state aid formula should be neutral as it concerns school district organization.

The general state aid formula should require all local school districts to maintain a specified minimum local property tax effort.

The general state aid formula should provide a reasonable minimum base of support for all school districts.?The general state aid formula should guarantee local control by allowing variations in real resources or service levels above the amount guaranteed form combined

state and local resources which result from local preferences for educational services.

The general state aid formula should address the effects of factors beyond the control of local districts which cause differences in real resources or service levels per pupil.

The general state aid formula should contain built-in mechanisms for responding to changing conditions affecting the distribution of general state aid.

The general state aid formula should provide adequate resources for all districts and changes in the state aid formula should not alter this base of support.

*** Approved by the ED-RED Council, February 19, 1986

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ILLINOIS FARM BUREAU
PUBLIC SCHOOL FINANCE POLICY

Illinois Farm Bureau will continue to place CHIEF (Changing How Illinois Education is Financed) as one of its highest priorities. IFB will:

- Pursue all reasonable opportunities to achieve one or more of the goals of CHIEF which include:
  - State funding of state mandates,
  - A more equitable school aid formula,
  - Full funding of the 1985 School Reform Act,
  - Promotion of organizational innovation and efficiency,
  - Increasing state funding to a level at which state resources provide a majority of the funding. This will provide meaningful property tax relief by reducing reliance of school districts on the property tax for their basic support.
- Seek significant long-term solutions to the problems of financing a quality education for all students through political, legislative or judicial means.
- Explore the feasibility of developing and financing a successful judicial review of the inequities of the current system of financing Illinois' K-12 educational system with other groups with similar goals.
- Support legislation requiring a hearing by local school boards before levying a tax for Life Safety and Energy Conservation bonds if such bond issues exceed $25,000.
- Support allowing school districts to recover partial or total costs of extracurricular activities through the collection of fees from students participating in such activities and including donations from other sources in the community.
- Support legislation permitting local school districts to enhance basic instructional programs through the use of the property tax if such funding is approved by local referendum.

LEGISLATIVE EDUCATION NETWORK OF DUPAGE
FINANCE POSITION STATEMENT
Approved May 29, 1990

The LEND Legislative Advisory Committee submits the following position statement as the result of our study of the school funding system in Illinois. This position is intended to be used as a measure against future formula proposals and is not considered a solution in itself. **The components of this document should be considered as parts of the whole because they are interrelated.**

We believe that the system of funding for elementary and secondary education in Illinois should be designed so that it:

1. increases the extent of equalization of the financial resources per pupil available to local school districts to provide educational programs for their students; and
2. provides adequate resources to enable each local school district to provide high quality educational programs and services to its students and to meet state mandates; and
3. decreases the overall reliance on local property tax revenue and increases, on a guaranteed basis, the state's share of funding for public schools; and
4. assures parity of tax effort among local school districts.

As a means of achieving the goals we have stated, we offer the following specific suggestions regarding the funding of elementary and secondary schools.

1. In order to make it possible for every school district in Illinois to provide educational programs that will enable its students to achieve the SBE"s learner outcomes, the state's contribution to the cost of public elementary and secondary education should be substantially increased.
2. Property taxes should be distributed on a wider geographic basis.

3. The relative tax burden on individuals and corporations should be considered in any revision of the system of funding education.
4. All districts must tax at least at a minimum operating tax rate.
5. The general state aid law should allow for limited expenditures above the amount guaranteed from combined state and local resources which result from local preference for educational services.
6. The law should also provide additional general state aid for low and medium wealth districts which choose to exert additional local tax and educational effort.
7. For funding purposes, unit districts should be treated the same as dual districts.
8. Reimbursement differentials for differing levels of schooling (elementary, junior high school, high school) are appropriate if they are based on verified cost of education indices; however, differences among teaching salaries should not be a component of such indices.
9. Reimbursement differentials based on differences in the cost of providing schooling in various areas of the state are appropriate if they are based on verified cost differences. Adjustments should be based on cost-of-doing-business factors.
10. Flat grants and alternative computation methods should be eliminated.
11. Current personal income should be the basis for determining any reimbursement differential for poverty.
12. For increased efficiency, the distribution of funding at the district level for categorical programs such as Special Education, Bilingual Education and Vocational Education, should be consolidated.

APPENDIX C

BACKGROUND READINGS

ILLINOIS STATE BOARD OF EDUCATION
SCHOOL FUNDING REFORM:
A PROTOTYPE MODEL

Background

Revenues and expenditures across Illinois' 972 school districts exhibit an extreme range. In FY 88, the top-spending elementary district had per-pupil outlays of more than $12,000. The lowest-spending district expended less than $2,300 per pupil. Within each of the three district types, the mean value of expenditures per pupil is 12% or more above the median value. Over the past six years, the difference between the median and the mean expenditure value has increased.

Similar disparity exists when examining school district revenues. The range in operating revenues (using local property taxes, general state aid, and corporate personal property replacement revenues (CPPRR)) will be an estimated $8,700 in FY 90. Even with a $250 million increase in general state aid for FY 90, the operating revenue per pupil of elementary and high school districts at the 95th percentile is projected to be 2.4 times greater than the corresponding revenues for the districts at the 5th percentile.

Most educators would agree that the disparity in revenues and expenditures can shortchange educational opportunity for some students. Even with allowances for cost-of-living differences, it is difficult to argue that the curriculum and overall educational experience in the districts at the lower end of the spectrum is comparable to that of the higher-spending districts.

Quite simply, the cause for the large variation in revenues and expenditures is the large variation in local property tax revenues received by districts across the state. The property tax revenue differences are attributable to two factors: (1) wide variations in operating tax rate (OTR), and (2) wide variations in equalized assessed valuations (EAV). Variations in OTR and EAV occur both within district types and across geographic regions.

Table I presents 1987 average operating tax rates by district type and by geographic location.

Table I. 1987 AVERAGE OPERATING TAX RATES

Location/Type	Elementary	High School	Dual	Unit
Chicago	--	--	--	3.511%
Other Cook County	2.495%	2.156%	4.648%	4.031%
Collar Counties	2.289%	1.909%	4.213%	3.702%
Other Downstate	1.948%	1.491%	3.421%	3.173%

From this table it is evident that residents in Cook and the collar counties choose to tax themselves much more heavily than do residents in the remainder of the state. This is true regardless of the organizational structure of the district. In addition, dual districts have higher operating tax rates than do unit districts regardless of geographic location.

Table II presents 1987 EAV per pupil by district type and by geographic location.

Table 2. 1987 EQUALIZED ASSESSED VALUATION PER PUPIL

Location/Type	Elementary	High School	Dual	Unit
Chicago	--	--	--	$52,558
Other Cook County	$121,953	$233,337	$80,147	79,152
Collar Counties	112,054	231,330	75,173	61,904
Other Downstate	61,151	130,207	41,868	42,527

School districts in Cook and the collar counties have much more property wealth per pupil than do districts in the remainder of the state. This is true regardless of the organizational structure of the district. Given that elementary and high school districts have the same permissive taxing authority, it is also clear from Table II that high school districts have a distinct advantage over elementary districts in raising local property tax revenue per student.

In recent years increased attention has been focused on reforming the general state aid formula as a means of addressing revenue disparity across districts. Arguably the current formula, with substantial additional funding, could serve to reduce this disparity. In the past five years, general state aid funding has risen by $600 million, an increase of 40%. Yet for every $1 in general state aid funding in 1989-90, there will be $2 in local operating revenue, so changes in state aid alone can have only a limited effect on the disparity. Between 1977 and 1987, the equalized assessed valuation per pupil in Cook and the collar counties more than doubled, while downstate the increase was less than 40%. It is unrealistic to expect state funding can or will, for the foreseeable future, catch up with the rapidly growing local revenue base. If there are to be major gains in reducing revenue disparity, the focus of attention should shift from reform of the state aid formula alone to overall funding reform - changing both state and local mechanisms for funding schools.

A Prototype for Reform

For purposes of stimulating further discussion, the staff of the State Board of Education has developed a prototype for school finance in Illinois which proposes major changes in state and local school funding. A prototype is an initial pattern or model. In the automotive world some prototypes are impractical for production. Even good prototypes are altered, often markedly, before going into production and reaching the marketplace. This prototype is offered here in order to encourage open discussion on the questions of revenue and expenditure disparity and alternative approaches to improving school finance in

Illinois. This and other proposals will be under review throughout the year.

The prototype system is designed to:

- provide adequate local support for education while providing taxpayer equity and granting tax relief to those paying a disproportionate amount of property taxes;
- slow the rate of increase in local operating revenue of the high wealth-high tax effort school districts;
- reduce the revenue/expenditure disparities described above;
- neutralize the inequities caused by the existence of three types of school districts;
- revamp the general state aid formula in order to equalize the distribution of general state aid among district; and
- provide for the incidence of low-income, educationally deprived students.

Organizational Structure

For the purposes of local property tax collection and general state aid distribution only, the existing 972 districts would be combined into 131 districts according to the following guidelines.

Chicago #299 would remain a separate district.

All districts in counties other than Cook, DuPage, and Lake would be combined into 99 individual county districts along what would roughly be county boundaries.

DuPage and Lake would be divided roughly North and South.

All Cook County districts (other than Chicago) would be combined into 27 township districts along existing high school district boundaries. Each township district would consist of a high school district and at least one elementary district. Each such unit would be created solely for funding purposes. The administrative responsibilities and authority of existing districts would be unchanged.

Creation of Fiscal Variables

The real EAV of the 131 county/township districts would be the sum of the real EAV of the unit districts and high school districts assigned to the county/township. The pupil count of each county/township district would be the sum of the weighted average daily attendance (WADA) of all districts assigned to the county/township. The CPPRR of the county/township district would be the sum of the CPPRR of all districts assigned to the county/township.

Local Property Taxes

Local property taxes for the operating needs of schools would be levied at a uniform rate. For purposes of initial discussion, a 3.50% rate is suggested (the state average operating tax rate in 1987 was 3.82%). Consideration would be given to a stratification, which recognizes geographic cost-of-living differences.

The total property tax collected at the uniform rate added to the total CPPRR of the county/township would then be redistributed to the individual districts comprising the county/township in proportion to their WADA counts. Taxing authority for operating purposes (i.e., education, OMB, transportation, working cash, IMRF, etc.) would initially be eliminated at the district level. Individual districts would retain bond and interest tax responsibility. Consideration would be given to allowing additional local taxing authority for each individual district through referendum.

General State Aid Distribution

The current general state aid formula would be modified. The flat grant would be increased and the alternate method would be eliminated. The pupil count would be based solely on weighted average daily attendance (WADA), eliminating the Chapter 1 weighting. The calculation rate used in the formula would match the taxing authority of the county/township. The foundation level would be indexed for Cook, DuPage, McHenry, Lake, Kane, and Will Counties to allow for cost-of-living differences.

The primary general state aid distribution would be to 131 organizational units. The secondary distribution of the general state aid to the individual districts comprising the county/township would be made in proportion to the WADA of the individual districts.

Fixed Foundation Level

The general state aid formula foundation level would be fixed in law. It is recommended, since the pupil count in the formula was chosen to be WADA, that the foundation level be defined as a factor of the most recently available state total for computation of tuition divided by the corresponding year's WADA.

Low Income Supplement

A local revenue supplement is proposed for those counties/townships experiencing a decline in local revenue as a result of reductions in operating tax rates. If a county/township receives less local revenue than it would otherwise have received using the product of the actual district operating tax rate and EAV, state funds would be paid to the county/township in an amount equal to the difference. This local supplement would then be distributed only to those individual districts within the county/township which experienced a loss in local revenue. The distribution would be made in proportion to the WADA of the districts involved.

Summary

The financial problems some school districts are currently facing and the funding inequity that exists both within and among types of school districts are not going to improve without a sizable ($1 billion or more) increase in general state aid funding or a major overhaul of the system Illinois uses to finance its schools. Flaws in the general state aid formula and the system of local property taxation need to be corrected. Ideally, a property tax system can be created which serves as a basis for the distribution of general state aid. The general state aid formula can then be constructed around the property tax system. The two

mechanisms should mesh, creating an organization-neutral system which benefits all children in the state.

CONSIDERATION OF A LEGAL CHALLENGE TO ILLINOIS' SCHOOL FUNDING SYSTEM

By Linda G. Knibbs

Recent decisions by the Kentucky Supreme Court and the Texas Supreme Court, which found their respective state school funding systems unconstitutional, have inspired discussions in Illinois about the possibility of a similar legal challenge to resolve the inequality in funding amongst Illinois' public school districts. That effort is currently being led by the Coalition for Educational Rights Under the Constitution, which is coordinated by Professor G. Alan K.W. Hickrod of Illinois State University and Professor James D. Nowlan of Knox College.

The Problem

Reports from the Center for the Study of Educational Finance at Illinois State University, print-outs from the State Board of Education and studies by Professors G. Alan K.W. Hickrod and James G. Ward with the support of the MacArthur and Spencer foundations all document the growing problem of inequality in Illinois school funding. Inequality in funding has become such a familiar and unresolved problem that our State policymakers can safely pay lip service to improving education without tackling the problem itself.

So we must ask ourselves . . . if we have the facts and the examples which clearly confirm that inequality exists in school funding in Illinois, why haven't we been able to correct the problem?

The answer is based on two dominating characteristics of the State of Illinois: The first lies in the rich diversity of this fair State. Our economy is based on farming and on manufacturing and on information-based businesses, our social heritage comes from a variety of cultures, we have extremely wealthy communities and extremely poor communities, there are major urban centers and miles of rural areas. In fact, since we seem to have a lot of everything, Illinois has been

described as a "microcosm of the United States". The second dominating characteristic of Illinois is our devotion to the notion of local control. We rank first in the number of local taxing governmental units among the fifty states. There are 961 active Illinois school districts organized by three different types so that local control of education may prevail.

Consequently, even when we are repeatedly and shamefully reminded that there is inequality in funding and educational opportunities amongst our public school districts, our devotion to maintaining our diversity and our local control leaves us paralyzed to remedy the problem.

But today the problem has become so well documented, so obvious, so unconscionable -- and inspired by the Supreme Court decisions in Kentucky and in Texas -- we in Illinois are considering a legal challenge as a means to redress the inequality of funding schools in our State.

Is a Legal Challenge Really the Answer?

Given the inequality in funding among Illinois school districts and the repeated failure by interest groups and the legislature to permanently and responsibly resolve the inequality, a legal challenge appears to be an attractive solution. But supporters of such action should be aware that -- other than the power generated by the threat or fear of a court challenge -- a successful legal challenge will provide nothing substantially new in the battle to improve school funding in Illinois except to judicially confirm that the system needs to be changed. The courts will not tell us what that change should be.

A successful challenge in this State would place the responsibility for solving the problem of inequality squarely on the Illinois General Assembly.

As a recent report written under the leadership of ALAN HICKROD in the MacArthur/Spencer Series has indicated, litigation should be pursued to "remind the Governor and the General Assembly of their

duties with respect to educational funding"; perhaps the General Assembly might respond to the shot gun of litigation.

As JIM WARD has written, "No matter what the outcome of a legal case, the resolution of the school funding problems of the state would still be political . . . the politicians still need to be pushed."

As JOHN BROCK, KENTUCKY'S SUPERINTENDENT OF PUBLIC INSTRUCTION, told Illinois superintendents gathered at the State Superintendent's Conference in Springfield last September, "Based on my experience in Kentucky, my advice to you is to address your problems now -- outside of the legal arena -- and in conjunction with your business community, your legislative leaders and your governor. If -- as professional educators -- you want to maintain effective local control of education in Illinois -- you need to act now to provide effective solutions to your own problems statewide. IF YOU DON'T SOLVE YOUR PROBLEMS YOURSELVES -- THEN SOMEBODY ELSE WILL SOLVE THEM FOR YOU. AND THEIR SOLUTIONS MAY OR MAY NOT BE EDUCATIONALLY SOUND OR PRACTICAL (itals. added)."

As the SUPREME COURT OF KENTUCKY ruled in June, " . . . the result of our decision is that Kentucky's entire system of common schools is unconstitutional. . . . As we have previously emphasized, the sole responsibility for providing the system of common schools lies with the General Assembly. . . . The General Assembly must provide adequate funding for the system. How they do this is their decision."

As the SUPREME COURT OF TEXAS ruled in October, "Although we have ruled the school financing system to be unconstitutional, we do not now instruct the legislature as to the specifics of the legislation it should enact; nor do we order it to raise taxes. The legislature has primary responsibility to decide how best to achieve an efficient system. We decide only the nature of the constitutional mandate and whether that mandate has been met."

Our Failure With the Illinois General Assembly

AND WHAT FACES US, MEMBERS OF THE EDUCATIONAL COMMUNITY, AS WE WOULD APPROACH THE ILLINOIS GENERAL

ASSEMBLY FOLLOWING A SUCCESSFUL LEGAL CHALLENGE?? At this point, a very sorry record. The last major school finance reform effort occurred in 1973 with the enactment of the Resource Equalizer formula. Let us consider the circumstances under which that formula became law:

- In 1973, there were major recommendations for school funding reform from three separate groups: (1) the School Problems Commission, (2) Governor Ogilvie's Commission on Education, and (3) State Superintendent of Public Instruction Michael Bakalis' Advisory Committee on School Finance.

  Presently, there are no individuals or organizations with a proposal for major reform of the State's school funding system. (The State Board of Education has released a prototype which it cautions is only offered for purposes of further discussion.)

- In 1973, there was a significant amount of funds available from the recent implementation of a State income tax program which political leaders agreed should be used to fund the new formula.

  Presently, there is no such amount of money, no existing mechanism to generate such an amount of money, and apparently no long-term interest or commitment by Illinois political leaders to provide such an amount of money. In fact, the temporary income tax increase expires in 1991.

- In 1973, there were no computer print-out politics to handicap legislators considering school funding proposals. The Office of the Superintendent of Public Instruction could generate print-outs on changes in the funding formula but the legislators had not grown accustomed to determining their vote on whether or not the print-outs showed that the school districts in their legislative district would gain funding.

  Presently, there is a belief among legislators that they must use the print-outs to confirm that their school district

will all "win" with a new funding proposal, ignoring the greater implications on school finance policy throughout the State. If they find their school districts are losers, they tend not to support change.

- In 1973, there was a tradition of careful debate on education legislation and approval of proposed legislation by the School Problems commission -- and the Governor -- before education bills went before the members of the General Assembly. Once the respected legislators on education issues made up their minds, generally there was little controversy as a bill moved through the legislative process.

  Presently, there is no School Problems Commission, only a revamped version known as the School Problems Council, which is a council of the Citizens Assembly. While the council holds hearings, considers issues and recommends legislation, its authority is a mere shadow of its predecessor. Further more, in 1973, the Illinois House of Representatives was organized with multi-member districts, but that structure was replaced in the early 1980's with single-member districts. At the same time that change occurred, the power of the leadership on both sides of the aisle in both houses was consolidated with several echelons of professional staffs, campaign crusades for election of legislators and healthy re-election war chests . . . leading to legislative behavior focused on re-election rather than public policy . . such as quality education.

Risks of a Legal Challenge

A legal challenge to a state's school funding system could not be undertaken without certain risks, such as those discussed below.

Time and Expense. How long are we willing to wait while a legal challenge is pursued through the trial court, the appeals court and ultimately the Illinois Supreme Court? Other such challenges have taken

years. And who will pay the costs of such a challenge, which could range from several hundreds of thousands to millions of dollars?

Legislative Response. A legal challenge would have one of two immediate effects on the Illinois General Assembly. Either the filing of the suit would inspire the legislature to consider the subject and pass meaningful legislation resolving the school funding problems before the case was finally litigated. Or, the legislature could avoid the issue of school funding reform during the years the case was working its way through the court system, giving legislators a legitimate excuse for inaction and allowing the disparity in funding among school districts to escalate.

No Improvement in Funding. Results of legal challenges in other states have indicated there was no positive impact on state funding. Furthermore, in some states there has been a "leveling down" in funding rather than the anticipated increase in funding for school districts following a successful legal challenge.

Loss of Local Control. Successful legal challenges in other states have resulted in reduction of local control and more state centralization of the school system. Legal challenges in California have led to a complete state system with little local discretion and in New Jersey to a battle over state takeover of school districts.

Reapportionment. In 1991 the Illinois General Assembly is to reapportion the districts from which Senators and Representatives are elected. Shifts in population indicate that the balance of power in the legislature will move toward the suburban collar counties after reapportionment. That area tends to contain the more wealthy school districts in the State. Any court decision made after 1992, when the first elections from reapportioned legislative districts are to be held, will require action by a General Assembly more favorable to suburban school districts.

The Answer Is Not Legal But Is Ours!

Armed with this knowledge about the environment in which a successful challenge to Illinois' school funding system would find itself, what should we do?

The threat of a legal challenge has already become an important political tool in the war against a shameful school funding system in Illinois. The timing of the Kentucky and Texas decisions has been a public relations dream. The Kentucky decision came as the Illinois General Assembly was in the frantic final days of its 1989 Spring Session and there was much discussion of what was happening in our sister state. Then came the October decision of the Supreme Court of Texas to confirm there may be trend out there, and the notion that Illinois might be the next state to undertake such a suit began to spread. Legislators are talking about school finance and about the Kentucky and Texas decisions and they are worried.

As we saw with the creation of the State Mandates Act Rights Task Force (SMART), a significant understanding was reached by policymakers in Springfield that no longer could unfunded State mandated programs be tolerated. And that achievement was made with the threat of -- but never actual -- legal action. Once a suit is filed, educators will lose control of the process.

Obviously, whenever a serious problem exists, those most affected tend to blame others for not righting the wrong. Today educators criticize the Illinois General Assembly and the Governor for their failure to pass a fair and equitable school funding system for the State of Illinois. But the cold and brutal truth is that WE ARE THE CAUSE FOR THEIR FAILURE TO ACT.

We, all of us -- educators, politicians, bureaucrats, citizens -- have allowed the rich diversity of Illinois to paralyze us politically and to keep us from reaching consensus on what we want in a quality school finance system, what we will accept and what we will support. And since we don't know, the legislators and the governor have been unwilling to decide.

Instead of learning to compromise, we've become skilled at dividing. With the advent of computer print-out politics and the focus of legislators on votes for re-election, sectors of the education community are encouraged to work in homogeneous groups and argue their specific and separate case for funding reform. We bring to the legislators such confusion as to what educators want, that we hand them a bye on the school funding issue . . . allowing the disparity in funding and educational opportunities for students to grow year by year.

The Successful Course Of Action

For those of you who are concerned about the problems of school funding in Illinois, there is a course of action we could take which would lead to a successful resolution. But this course of action is not for those who are faint of heart, for those who -- for whatever reasons -- are unable to put the educational system of this great State of Illinois and the future of tomorrow's leaders ahead of their personal needs and individual community interests, or for those who willingly complain but fear the risk of change.

The experiences in other states clearly reveal that a successful legal challenge to Illinois' school funding system would simply require the legislature to act. Rather than undertake the time, expense and risks of such a challenge, we should take the initiative for leadership now by:

1. Each school administrator making a commitment to participate in a thorough discussion of what Illinois' educational system should be producing in terms of an educated citizenry and of what burdens should be placed on the State's residents to financially support such a system;
2. Each school administrator supporting the work of a committee or convention to review those discussions and develop a proposal reflecting the wisdom and expertise of Illinois school administrators;
3. Each school administrator responding to the proposal with the understanding that her or his district will likely "lose

something"; since the notion that "there can be no losers" is insidiously causing us all and finally to be losers;

4. Each school administrator studying the proposal, making suggestions for improvements as seen necessary and then supporting the final proposal; with such actions requiring great strength to overcome the popularly pervasive response that "if it's a school funding proposal, KILL IT!";
5. Each school administrator working to explain to her or his board of education, teachers and community why they should support the proposal; and
6. Each school administrator explaining to legislators representing her or his school district why they should support the proposal.

And so the real challenge is not a legal one but is ours. Can we collectively articulate the components of a school finance system which is adequate, equitable and efficient? Can we learn to compromise and provide leadership on this issue to board members, teachers, citizens and legislators, who would adopt with euphoric unity any proposal brought to them with the firm and consistent support of educators from all parts of the State, from all types of districts.

That challenge is indeed a far greater one and the choice is yours.

DOES EQUALITY MEAN ROBBING THE RICH OF THEIR SCHOOLS?

By Jerry Glaub

It isn't spring, but there is hope in the air.

At least there is hope for school boards that traditionally find themselves on the short end of the financial stick. We're talking about boards that can't make ends meet without shortchanging their students.

What school boards on the upper end of the financial scale feel in the air may not be hope, but a threatening chill. State-level policy makers have discovered that the growing financial disparities among school districts is not due to the state aid formula--which has heretofore been the scapegoat--but to growing differences in wealth among communities.

Recognizing that no state aid formula can bridge the gap between $5,000 and $500,000 in per pupil property wealth, attention has turned to the whole system of financing public education. Concern for the problems facing school districts with inadequate property tax bases was already growing when the Kentucky Supreme Court dropped its recent bombshell, declaring unconstitutional that state's system of governing and financing schools. In short, the Kentucky court found wide disparities in school district financial resources and concluded that money greatly affects school quality. Thus, the court concluded, organizing and financing schools on a local basis unlawfully discriminates against children in poorer communities.

A similar ruling followed shortly thereafter in Texas.

The world of school finance is changing, and a similar lawsuit or fear of one puts hope in the air for poor districts everywhere and a threatening chill for the wealthy.

Level up or level down?

Until recently, virtually no one talked of anything other than "leveling up." Reform of Illinois school funding, in other words, has

been conditioned on no one losing. Any additional help for poor districts would have to come from new money, not money currently being spent by wealthier districts.

That has changed, following the court decisions in Kentucky and Texas and recognition that the people of Illinois may not be willing to equalize school spending at levels now enjoyed by some wealthy districts.

But Kentucky and Texas--and Illinois--still have to face such questions as:

- How equal do per pupil expenditures have to be in order to be equitable? Because a dollar buys a whole lot more in some locales than in others, precise, dollar-for-dollar equality could be nearly as inequitable as the current situation.
- At what level do we need to equalize? The answer here is affected by both educational need and affordability. The average per pupil expenditure in Illinois right now is probably about $4,700. Making that amount a minimum would cost a small fortune, but imagine the advantages that could be offered students on $6,000 or $8,000 a year!
- What about the relative difficulty of educating disadvantaged and handicapped children? Can or should we make extra funding available for them? You bet, but how much?
- If the state cannot find the money to equalize expenditures at a level necessary to assure good schooling for all children, should districts that spend more than that be asked to get by with less? This issue creates the threatening chill in the air for wealthier school districts. It raises the question of whether people should be allowed to voluntarily tax themselves at higher rates to provide extraordinary schools.

Reform advocates

State Superintendent Robert Leininger and State Senator John Maitland, of Bloomington, are among the state leaders calling for an end to the whopping differences in school district wealth. Assistant

State Superintendent Michael Belletire and the state Farm Bureau have advanced ideas that would radically alter the existing school finance system.

In general, there seems to be a growing consensus that the burden of school funding must be shifted from local taxes to state taxes if equal educational opportunity is to be offered to all children regardless of where they live. There also is growing recognition that the burden on property taxpayers needs to be more equitable.

Belletire, for example, has suggested extending a fixed property tax rate on a countywide basis with the revenue distributed equitably among all school districts in the county. This would help equalize funding within each county (but not necessarily among counties) and would tax all property owners at the same rate. (The idea sounds new, but that is pretty much how schools were funded 150 years ago.)

In short, support for the radical reform of Illinois school finance is spreading well beyond the education community. Leaders of the business community and advocates of rural development are among those taking up the cause.

School finance is also likely to become a key issue in next year's gubernatorial election. Democrat Neil Hartigan has so far expressed a dim view of increasing state taxes. But Republican Jim Edgar has gone on record in favor of making this year's income tax surcharge a permanent increase, primarily for the benefit of schools. Moreover, Michael Belletire has left the State Board of Education to join Edgar's campaign staff as a policy analyst, making it even more likely that school finance reform could become a campaign issue.

A decision facing proponents of change is whether to work through the legislature or through the courts. Several groups reportedly are considering litigation of the kind that recently bore fruit in Kentucky and Texas.

Pitfalls of litigation

But there are problems with litigation that lead some students of school finance to recommend against it. For one thing, filing a suit will

discourage the legislature from doing anything until the state Supreme Court finally rules on the matter. And that could take years. (Kentucky's law suit was filed seven years ago; the one in Texas started four years ago.)

Another disadvantage of going to court is that you might lose. Illinois courts cannot be counted on to come down on school finance the same way as the courts in other states. A defeat could simply relieve the legislature of the pressure to do anything at all.

Naturally, the posture of school officials in disadvantaged districts is not hard to establish; they want help. The issue is more complex for those in wealthier districts.

There is growing sentiment everywhere that school failure anywhere in the state affects everyone--that something must be done to overcome the terrible effect that poverty has on schools and on the social and economic health of the state and nation. Only the most ultra-conservative libertarian opposes equal educational opportunity for all children in the abstract.

Who pays?

Translating a philosophy into concrete action, however, is troublesome. Schools that are well-off got that way because of their large property tax bases and/or because their constituents choose to tax themselves at very high rates. Providing more money for poorer schools means wealthy taxpayers must pay more in state taxes to support someone else's schools. Providing property tax relief as a trade-off for higher state taxes means less money for many of the wealthy districts with high property tax rates.

High spending school districts that rely on high property tax revenues are generally congregated in north suburban Chicago and DuPage County. Will those schools continue to thrive if they must accept less so that others can have more? On the other hand, will their taxpayers sit still for higher state taxes without some relief from local taxes?

The answers to these questions explain in part why there has been no serious move toward equality in Illinois. It also explains why hope for some districts creates a threat for others.

How much?

Apart from these practical questions facing legislative bodies, there are some other more abstract issues that cry out for answers. For example, wouldn't it be useful to know how much you can effectively increase spending in some communities and how much you can advisably reduce it in others?

Reducing the budgets of high-spending districts could be killing the goose that lays our golden eggs--especially if wealthy communities turn to private schools to find the kind of education they want for their children. It may be socially defensible to take money from the rich to help the poor; denying them access to the quality of public schools they want would have enormous political, educational and social consequences.

Another question that reform advocates should address: To what extent does per pupil expenditure bear on a school board's budgetary joys or woes?

There is surely some relation between fiscal health and per pupil spending, but there are other factors, too. One factor is how the school board chooses to spend its money. Another is the relative efficiency of large schools versus small schools and growing enrollment versus declining enrollment. Still another is the purchasing power of the dollar in one region compared to another.

Does money produce quality?

There are still other questions that reform advocates need to address but probably won't.One such question is: What bearing does expenditure level alone have on the quality of schooling? If additional money is used only to raise teacher salaries, will teaching and learning improve? Or, more to the point, if New Trier Township High School

were moved--lock, stock and faculty--to the inner-city or to a low-income rural area, would it still be New Trier Township High School?

Experts in school finance point to a strong correlation between school district spending levels and student performance. Districts that spend more get higher test scores.

However, some sociologists contend that student performance is more a function of family background than of school spending and that the children of advantaged families will usually outperform the children of the disadvantaged. High-spending school districts get high test scores, they argue, because they happen to be located in economically advantaged communities.

Another body of thought--the so-called "effective schools research"--equates student performance with such factors as administrative leadership, high expectations, and an orderly but humane school environment. No one seems to know exactly how these characteristics of effective schools vary with funding levels. Obviously some minimum level of spending must be essential to attract effective educational leaders and eliminate the malaise that under-funding can create.

It should be obvious that equal spending does not by itself produce equal educational opportunity. On the other hand, it also should be obvious that students educated in our worst schools cannot compete with those educated in our best. And differences in dollars must account for at least some of the differences between worst and best.

FURTHER READING

Former U.S. Education Secretary William Bennett liked to single out financially-strapped schools that succeed to prove that more money is not the answer to schools' problems. Researchers Arthur Wise and Tamar Gendler, of the Rand Corporation, reject that logic, saying such schools are the exception, not the rule.

Wise and Gendler contend that equitable state funding "permits schools from poor districts to exercise the same choice . . . that schools from wealthy districts now enjoy . . . [and] equalizes the capacity of poor school districts to secure the services of highly qualified teachers. It

ensures, to the extent possible, that educational opportunity is independent of the wealth of one's parents and neighbors."

Their research is reported in "Rich Schools, Poor Schools," available for $6 from College Board Publications, Box 886, New York, New York 10101-0886, telephone 212/713-8000.

COUNCIL FOR BETTER EDUCATION

Representatives of 66 public school districts in Kentucky formed a group known as the "Council for Better Education" for the purpose of challenging the constitutionality of the current system of funding the schools of the Commonwealth.

The following is offered as a statement of the major points that need to be addressed with corrective measures as expressed by the Council for Better Education.

1) Adequate Education

We believe an adequate educational program must be defined. The issue of equity cannot be separated from adequacy. The current accreditation standards may provide at best minimum definition of an adequate program and the requirements should be fully funded by the state. We also would note that many educators and parents believe that an adequate education goes far beyond the current state accreditation standards.

2) Tax Rates

We believe that the current system of unequal tax rates for schools was created by the General Assembly in the mid 1960's by the passage of House Bill 1 (the rollback law). We feel the state should mandate a minimum rate that would be raised on a consistent basis over a five-year period and fully equalized to the wealthiest county district.

We also believe that special voted taxes and permissive non-property taxes should not be included in a required equalized rate.

The state should provide incentives to local districts to levy additional non-property taxes by requiring that all districts levy one permissive tax and allow each district to levy additional local taxes without the recall provision. All taxes, including non-property, should be equalized to a specified level by state government. The state should mandate a process for equalizing the tax rate on motor vehicles that already have a standardized assessment process in place.

3) Property Assessments

We believe the current system of property assessment in Kentucky is unequal, inconsistent, and laden with implementation problems that prohibit the tax base from being established on a fair and equitable basis among school districts in Kentucky. Major reform is needed if the property tax is intended to remain as a major source of revenue for schools. The property valuation administrator (PVA) must manage the system in a correct fashion and the local tax collecting authority, usually the sheriff, must effectively follow the mandates of state law in collecting all taxes.

4) Special Need Factors

The needs of local school districts vary to a great extent across the state and we believe that the formula for distribution of funds must take into account these factors. Sparsity of student population, socio-economic differences, transportation problems, and a variety of facility needs are examples of different factors that directly affect the needs of a local school district.

5) Weighted-Pupil Formula

While the Foundation program has provided a reasonably effective flat grant distribution system for over three decades, numerous inequities currently exist with this approach. We urge strong consideration for a version of the weighted-pupil approach to distribution of state resources to accurately address the differences in cost of educating the different students served in the public schools.

6) Timetable

A specific time table needs to be established for implementing any changes with judicial review to verify that actual improvements have taken place.

7) State Mandates - Free Public Education

All programs that are mandated by the state should be fully funded by the state. We believe that all students in Kentucky have the right to a free public education program.

8) Level Up

Any improvements in funding for the less fortunate districts in Kentucky should not be at the expense of the funding for the districts with a stronger local tax base. Equalization should be a "leveling-up" process.

9) Local Initiative

No equitable system of school finance can substantially depend on local resources and local initiative. The state should provide equalized financial incentives to encourage local districts to support a larger portion of the total educational expenditure.

10) Accountability

We believe in total accountability for the expenditures of the public education system. We furthermore believe three distinct "kinds" of accountability should be outlined by the general assembly.

1) Achievement - Every local school system should be held accountable for an appropriate level of student achievement. The challenge arises when we define what is an appropriate level. We ask for an "input versus output" model to be developed that will account for anticipated or expected achievement considering all of the factors that can go into student achievement that research has verified.
2) Efficient Operation - Every local school system should be held accountable to operate in the most efficient manner possible. We believe the state should take the lead in working with local systems to assure that leadership woks toward "efficient" accountability.

3) Personnel - Every employee of a local school system, both certified and classified, should be subjected to periodic assessment and evaluation throughout their career for continued employment decisions. From the Superintendent down, all personnel must be held accountable for job performance.

CALIFORNIA SCHOOL FUNDING, LIKE EVERYTHING ELSE, IS DIFFERENT

School funding in California has taken a sharply different turn than in most other states. This resulted from a series of state court decisions in Serrano v. Priest, plus Proposition 13 which cut deeply into local tax bases. California's school system in now predominantly funded by the state, with little local control over funding.

In Serrano v. Priest (1971), known as Serrano I, the California Supreme Court held that California's school finance system violated the Equal Protection clauses of the U.S. and California Constitutions. The court so held because of substantial differences in revenue per student between rich and poor districts. Serrano I established a principle in California that the quality of a student's education must not depend on the property wealth of the district. The suit was returned to the trial court to determine whether heavy reliance on local property taxes caused substantial funding differences between California's rich and poor school districts, and whether this wealth-related difference affected the quality of their programs.

California Funding System

When this first Serrano suit was filed, 55% of California schools' revenue came from local property taxes; 35% from state aid; and 10% from federal aid. The comparison that symbolized the spending differences between rich and poor districts was $577 spent per student in Baldwin Park (a suburb west of Los Angeles), versus $1,232 spent per student in Beverly Hills. Assessed value per student in the two districts was $3,700 and $51,000 respectively. Among all California unit districts, the lowest, median, and highest expenditures per student in 1969-70 were $612, $766, and $2,414 respectively.

At the time Serrano I was decided, California state funds supplemented local property taxes to provide a guaranteed minimum "foundation" level of financial support for each student. The

"foundation" is a minimum annual expenditure per student. The local property-tax base provides part of the foundation amount, with state aid providing the rest. In 1971, California's foundation level was $355 per elementary student and $488 per high-school student. Districts collecting less than these amounts in property tax got state "equalization aid." Districts collecting more than these amounts in property tax got "flat grants" of $125 per student in any grade level. This system was similar to Illinois' present system.

Initial Response

In 1972, shortly after Serrano I was decided, the California legislature roughly doubled the foundation levels, to $765 for elementary students and $950 for high-school students. This assured that poor districts would get more state aid. The flat grant stayed at $125 per student.

The legislature at the same time set "revenue limits" on the total each district could spend per student from local property taxes (without referendum) plus state aid. (However, any district could pass tax-increase referenda to raise its revenue above the limits.) Each district's limit started at its 1972-73 expenditure per student, then rose a certain percent each year. The percentage increases for rich districts were less than for other districts. This combination of higher foundation amounts (mainly from more state aid) and slower increases for rich districts was expected to cause spending in rich and poor districts to converge, equalizing expenditures per student.

However, rapid inflation began to erode the equalizing effects of revenue limits starting in 1973. Annual revenue limit increases were inadequate to meet rising costs, and local tax rates multiplied by soaring property values in rich districts swamped the value of state aid. Poor districts benefitted somewhat from rising property values, but not always enough to offset losses in state aid (resulting from the inverse relationship of property-tax revenue to state aid under a revenue limit program). Some rich districts could not maintain high-quality programs because their inflation adjustments failed to keep pace with actual

inflation and they had difficulty passing tax-increase referenda because property values were rising so fast.

Higher revenue limits were approved in 1975 and 1976 to alleviate these problems. The 1975 foundation levels were $1,017 per elementary and $1,264 per high-school student, raised the next year to $1,526 per elementary and $1,895 per high-school student. The 1976 law also allowed the state to take away any local property-tax revenue exceeding 150% of a district's revenue limit.

Serrano II

A California trial court heard the Serrano case testimony in 1973. In September 1974 it held that the state's school funding formula discriminated against poor districts and denied them equal protection under the California Constitution. (The U.S. Supreme Court had held that the California system did not violate the federal Constitution.) Even though more state revenue had been provided, rich districts could more easily pass tax increases to support high-quality educational programs. Poor districts could pass tax increases, but the additional property-tax revenue they received would never match that of the other districts. Thus the court held that the state must reduce the expenditure gaps among rich and poor districts. On appeal the California Supreme Court upheld this decision in "Serrano II."

In its 1977 session the California legislature considered proposals to bring the school funding system into substantial compliance with Serrano II. A September 1977 compromise raised the revenue limits still further, established a minimum tax rate for all districts, allowed the state to take away part of local tax increases approved by referendum, and established new inflation adjustments for district revenue limits. Most of these provisions had delayed effective dates. Nine months later they would be rendered almost meaningless.

Proposition 13

In June 1978 California voters approved a constitutional amendment limiting each property's annual tax bill to 1% of its 1975-76

assessed value. Each year thereafter its assessed value could rise 2%, partially reflecting its increase in market value. Property is reassessed only when it is sold, transferred, or remodeled. The taxable value of newly built property is established when it is occupied.

Proposition 13 radically altered local government finance in California. It wiped out about $4.4 billion in expected 1978 local tax revenue, forcing the state to spend about $4.1 billion of its budget surplus for schools, fire and police protection, libraries, parks, street repair, garbage collection, courts, and various other local services. Local officials could no longer depend on assessment increases caused by inflation to increase local governmental revenue. The 1% limit, with its 2% annual inflator, in effect established a single statewide property-tax rate. Except for two classes of special levies, no additional local property taxes are authorized. The two exceptions are (1) levies to retire local bond issues authorized before July 1, 1978, and (2) levies to retire local bond issues to buy or improve real estate that were approved beginning July 1, 1978- in the latter case if passed by two-thirds of those voting on them.

All property-tax revenue is now allocated among each county's school districts and local governments, using a formula calculated by "tax rate areas." A tax rate area is a group of properties that are subject to the same combination of school districts and local governments, so they have the same total tax rate. Generally, each tax rate area's share of countywide tax collections depends on the ratio of that area's rise in assessed value to the countywide rise.

The impact of Proposition 13 on California's school districts was profound. The state became responsible for about 70% of total school funding, versus about 35% beforehand. Indeed, the state gained almost total control of public school funding. Under the revenue limits, a school district fills part of its limit from the 1% property tax allocation; the rest must come from state revenue. Before Proposition 13 the state determined how much of the revenue limit it would provide, and each school district used its tax revenue to make up all or part of the difference. Now, districts have only limited options in deciding how

much to spend on educational programs. The 1% limit means they cannot raise additional revenue by passing tax-increase referenda. The state's financial control gives it opportunities to influence curriculum content and emphasis, capital spending, school board-teacher relations, and other phases of districts' education programs. The state has become the dominant partner in the state-local educational relationship.

Average revenue limits in the 1986-87 school year are:

Kind of district	Average limit
Elementary	
Up to 100 students	$3,084
Over 100 students	2,423
High School	
Up to 300 students	3,422
Over 300 students	3,011
Unit	
Up to 1,500 students	2,776
Over 1,500 students	2,578

Yet a third challenge to California's school funding system was filed in 1985. The trial court found that the current system sufficiently complied with Serrano II. However, the court held that spending per student in each of the 6 kinds of district may vary by no more than $200 from the state average. This decision is being appealed to the California Supreme Court.

Charles L. Minert, Senior Research Associate, Legislative Research Unit: First Reading, Volume 4, No. 10, December 1989.

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APPENDIX D

MONOGRAPH

CUTTING THE GORDIAN KNOT: A PROPOSAL FOR FULL-STATE-FUNDING OF ELEMENTARY EDUCATION IN ILLINOIS

Robert Arnold

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Abstract

This argument for property tax relief for the Illinois taxpayer is predicated on full-state funding of elementary education. Property taxes for education would be reduced and an educational income tax would be actualized. Equity and adequacy become achievable at the elementary level. Choice of programs and schools at the secondary level becomes possible. The discussion that follows places the Illinois tax burden in context, briefly explores the economics of affected educational benefits, and concludes with the concept of full-state-funding of elementary education and subsidization of secondary education in the public schools in Illinois.

Introduction

There is no intent in the following argument to persuade the reader that full-state-funding of elementary education is the best solution to the problems of property tax burden and to the problems of equity, adequacy and choice. Rather, the intent is to advance a thesis that will afford policy-makers in Illinois a solution to parity problems in funding and burden – a way to cut the Gordian knot. The context in which the argument is made recognizes political and practical realities in Illinois; and credibility for the argument emanates from the original "Plan" advanced by Guthrie, Garms and Pierce in School Finance and Education Policy. Arguing it again here is a way of putting the matter of property tax relief in the context of one state's fully-funding of elementary schools and subsidizing the programs of low-income students in secondary schools. The thesis has been reintroduced to ameliorate the "climate" in Illinois, which can be characterized as a Gordian knot of principle and practice in the politics of educational finance.

Since 1985, individuals with the interests of Illinois' school-aged children at heart have tried to reform the school grant-in-aid system by devising a resource equalizing formula that will have broadly-accepted adequacy and equity attributes. The reform efforts have resulted in two

versions of the resource equalizer/o anteed-tax-base model, both of which reduced district disparities. However, it is unlikely that either model will become law in Illinois because they remove local initiative, to some extent. The gridlock over funding in the state can be overcome and Illinois voters can be accorded property tax relief before a costly California-type Proposition 13 or a court case is initiated in this state.

Tax Relief

Tax relief from effective tax rates that are too high or from tax burdens that are inequitable? Ideally, property tax relief will lessen the amount paid and balance the burden. Lessening the amount imposed reduces taxes paid on property and lowers the amount of tax burden the homeowner incurs on behalf of the schools. Balancing the burden can be achieved by allowing another tax, namely an income tax, to pick up part of the burden for the schools – for example, to use an educational income tax instead of the property tax to fund education for rich and poor alike.

Nonetheless, property tax relief is lower taxes on a person's land and home. It can be accomplished by lowering the assessed value of the property, lowering the effective tax rate on the property, limiting the amount of tax paid on the property, discounting the property value, or rebating some or all of the tax. (Another, albeit unusual, way to provide tax relief is for someone else to provide the money to pay the tax. For example, the Town of Ohio, Illinois, does that for its new homeowners, through a foundation funded with local business contributions. The foundation pays a family an amount equal to three-to-five years of property taxes, as an incentive to relocate and to buy a home in Ohio, IL.)

The only way to permanently life the property tax burden for Illinois schools is to shift the funding in whole or in part to a tax on income. This might appear to be only "smoke and mirror" relief since the taxpayer still pays, to the department of revenue in Springfield instead of to the local county treasurer. The chief advantage of this shift is that, regardless of where a child happens to attend elementary school in

Illinois, the child will receive a uniform, adequate education, prescribed by the state and fully paid for by the state. The high schools would be supported by the local property tax to the extent that each community deems adequate and appropriate. Not all communities will support the same type of high school program, because, presumably, communities will support secondary school programs to meet different social and vocational needs.

Illinois in Context

It is helpful to see a perspective of the State of Illinois and its relation to other states with respect to the taxpayer burden. According to the May 1989 newsletter of the Taxpayers' Federation, Illinois' state and local tax burden per $1,000 of personal income had been moderate. "The [total] burden in Illinois is 8.6 percent lower than the average for the fifty states. Illinois is somewhat higher in property taxes than the averages for the Great Lakes states, the industrial states, and the U.S. states . . . . It is significantly lower in income taxes when compared to these three groups. Illinois' low-rate, broad-based state income tax is the key ingredient to [the State's] moderate tax burden and favorable tax climate." The amount of taxes paid per $1,000 of personal income ranked Illinois 33rd among the 50 states (U.S. average taxes per $1,000 personal income, $114.79; Illinois, $106.15). The per capita tax burden of an Illinois taxpayer ranked the state 17th and dropped it below the national average [U.S. average state and local taxes per person, $1,664.54; Illinois, $1,650.21]. The following table of tax amounts and Illinois ranking among the 50 states was taken from the Taxpayers' Federation's newsletter. The numbers in parentheses are Illinois' rank among the 50 states.

Personal Income tax			$17.19	(13)
Sales tax			18.91	(13)
Property tax			1.24	(5)
Utility tax			3.26	(3)
Motor Fuel tax	4.11	(10)		
Vehicle License	3.22	(4)	7.33	
Corporate Income	4.53	(10)		
Corporate License	.41	(9)	4.94	
Other forms of tax			5.06	
Total tax per $1,000			$57.93	

In the July 1989 issue of the Taxpayers' Federation's newsletter, an analyst wrote, "Four counties [in Illinois] having the highest residential tax burdens also have the lowest percentages of nonresidential properties in their tax bases. This means that growth in property taxes where there is little commercial, industrial, or farm property falls heavily on homeowners. As long as . . . school districts rely heavily on the property tax for their revenues, tax bills will continue to climb upward, and homeowners will . . . absorb an ever increasing burden." A followup in the August 1989 newsletter stated: "There is no doubt that Illinois faces serious problems of equity in school funding and overly burdensome real estate taxes."

The effective tax rate on a piece of property is the amount of the taxes expressed as a percent of the market value of the property. A home that would sell for $100,000, with a property tax bill of $2,000 has an effective tax rate of 2 percent. In 1979, 12 percent of the cities in Illinois had an effective property tax rate which was above two percent.

A COMPARISON OF PROPERTY TAXES IN THE GREAT LAKES REGION FOR THREE FISCAL YEARS

States	Total Tax ($1,000s)	Population (1,000)	Tax Per Capita ($)	Prop Tax/ Total Tax (%)	Rank Among Fifty
			1967		
Illinois	1,118,623	10,958	102.08	66.8	43
Indiana	476,730	5,065	94.12	57.8	32
Michigan	856,007	8,673	98.70	52.6	25
Ohio	1,038,129	10,610	97.84	65.9	40
Wisconsin	460,220	4,211	109.29	66.4	41
			1977		
Illinois	2,241,593	11,434	196.05	55.1	34
Indiana	756,789	5,446	138.96	44.7	23
Michigan	1,848,662	9,202	200.90	49.1	28
Ohio	1,713,250	10,795	158.71	53.0	32
Wisconsin	974,011	4,631	210.32	59.1	41
			1987		
Illinois	3,405,775	11,582	294.06	56.5	42
Indiana	1,316,794	5,531	238.08	37.0	18
Michigan	4,291,557	9,200	466.47	59.3	43
Ohio	2,822,108	10,784	261.69	44.8	27
Wisconsin	2,007,664	4,807	417.65	60.7	45

In 1987, in 49 out of 58 cities in Illinois the effective property tax rates were above two percent. Effective tax rates in some areas were above three percent, which, by the way, was the threshold for Proposition 13 in California. Twelve cities had rates above three percent, and one city had an effective tax rate of almost 4.4 percent. For example, in East St. Louis, a person owning a piece of property valued at $50,000 where the effective tax rate was 4.4 percent paid approximately $2,191 in taxes. A property owner in Northbrook where the effective tax rate was 1.275%, paid $638 on a home valued at $50,000. If property assessment were a perfect science, the effective tax rate would be the same as the "billed" rate and all property would be taxes at exactly the same proportion of market value. Obviously, assessing practices are not an exact science and effective tax rates vary.

Tax rates have been lowered by homestead exemptions. A home with a market value of $100,000 and an assessed value of $33,333 (33%), would be lowered by $3,500 with a homestead exemption to $29,833 (29.833% of market value). If the tax rate were 6.00%, the effective tax rate would decline from 2 percent (6% x $33,333 = $2,000; and $2,000/$100,000 = 2%) to 1.79 percent (6% x $29,833/$100,000). This lowers the tax bill from $2,000 to $1,790.

A uniform statewide tax rate has been proposed in two models that were considered by the Illinois General Assembly. Ostensibly they would have provided relief for taxpayers in districts where the operating tax rate was above the proposed statewide rate. However, if the educational operating tax rate is high and the effective tax rate is not, taxpayers would receive some relief when, in fact, their effective rate did not warrant that relief. Taxpayers would not see any relief where the tax rate is close to the proposed statewide tax rate even if their effective rate were high. The following numbers from two actual homes illustrate this "glitch" in the prototype funding models that were proposed:

> House A with market value at $320,000 and taxes at $5,400 has an effective tax rate that is 1.6875% (5400/320000).

House B with market value at $92,000 and taxes at $1,900 has an effective tax rate that is 2.0652% (1900/92000).

The local school operating tax rates for these two homes were 5.90% and 3.65%, respectively. The statewide tax rate for the prototypes was 3.50%.

The taxpayer in House A was to receive tax relief of approximately $2,196 (5.90% reduced to 3.50%, or 2.40%; 2.40% divided by 5.90% times $5,400 equals $2,196). The House B taxpayer was to receive a tax reduction of approximately $78 (3.65-3.50 = .15; .15/3.65 x 1900 = 78).

If the proposed rate were imposed, the effective tax rates would have been 1% for House A and 2% for House B.

This odd outcome of the well-intentioned prototype would lead some to the conclusion that, "The general property tax . . . is beyond all doubt one of the worst taxes . . . it imposes double taxation on one man and grants [almost] entire immunity to the next" (Webb, et al). The effective tax rate is the only way to get a handle on the parity problem; it also twists the Gordian knot of confusion even tighter.

Recently, the Illinois income tax was raised to 3% and homeowners were given an additional property tax deduction on their state income tax. The deduction was welcomed, but it was not relief from property tax; taxpayers will pay the same property tax. They may pay less income tax (if their income stays the same). A political gambit was employed to make the income tax increase less objectionable.

Trade-Offs and Benefits

Property tax relief is a complicated policy formulation process. Consequences can bit one in the backside if attempts t it are ill conceived. Should educational efficiency and reduced costs be the means by which tax relief can be accomplished? Are trading-off educational benefits or finding other sources of revenue more

acceptable or more agreeable means for providing relief for the homeowner and taxpayer?

First, consider the benefits, direct and indirect, that education provides – the return-on-investment, so to speak. Education is the process by which the knowledge and skills and cultural values of society are passed on from generation to generation. Education increases productivity and economic growth. Society will invest in education up to the point where investing in something else pays bigger dividends – a rate of return. The rate-of-return to an individual for having had an elementary education is approximately 100%; for society, in general, it is 15%. The rate-of-return for a secondary education is 16% for the individual and 13% for society. Obviously, education pays exceptional dividends on the property tax investment. Education broadens employment possibilities and increases the likelihood that workers will remain employed. Educated individuals perform more independently, make better use of leisure time, are informed consumers, and manage their personal assets better. Education is related to wellness and longer life. In short, there are benefits for the individual, for communities and for society, in general. The rate-of-return at the elementary level is substantial enough to have broad appeal. At the secondary level, the rate-of-return has specific value to the individual and to the community.

Nearly everyone has an opinion about whether schools are efficient. (MacArthur/Spencer monograph #11 deals with this subject and more empirical studies on the topic are under way as part of that series.) Considering the payoff of investment in education, it appears that the money is exchanged for value that does not depreciate and that provides lifelong benefits. Since the amounts that are invested at the elementary level are returned 100%, schools at that level are good investments! Through the efforts of teachers and administrators, the most-education-for-the-buck is being achieved, more often than not. There are two areas where the efficiency of investment could be enhanced: in technology and in staffing. Technology could increase the impact of specialists and experts in all fields of education through interactive television, communication, computer, etc. Technology

would retain rural and sparsely-populated schools as viable educational systems.

Differentiated staffing and variations in class size in schools are further areas where additional efficiencies could be achieved. In differentiated staffing, teachers with unique skills and disciplines perform in extended capacities: in large-group teaching, in mentoring new and less experienced teachers, and in curriculum development. Teachers serve the educational programs in ways that take advantage of their skills, level of development and abilities. Differentiated staffing delivers the program in an organizational framework which is different from the one that is the norm now; a framework that could be more efficient through increased class size in appropriate disciplines, and cost less. In order for lasting efficiencies and increased productivity to materialize in restructured organizations and teaching systems, the individuals involved must be afforded participation in the policy deliberations that ultimately determine the environment of their work.

Increased class size has the potential of lowering costs and, subsequently, the burden of support borne by the taxpayer. Increasing class sizes across the board has already occurred as a result of negotiated salary and benefits increases. As teachers' salaries and benefits have risen, positions were cut to create "new" money for salary increases. A more rational approach to achieve efficiencies-through-cost-reduction is through differentiated staffing. Assigning more students to some teachers, lessening their ancillary workloads, and devising organizational methods that would enable other teachers at various developmental levels to contribute are better ways to achieve cost efficiency than are generalized cuts in staff. Very likely, future research in Illinois may show that "optimum" class sizes are too high in some locations and too low in other locations. That is, there may well be no single "optimum" class size.

Change in Support

A wise friend in government once asked me, "What will happen if those proposed policy initiative is not implemented?" I have found it a

good practice to ask myself that question from time to time in developing arguments such as this. My answer is that the consequences are either a taxpayer backlash, like Proposit on 13 in California, or costly litigation like the Kentucky and Texas cases, or both.

Switching the source of support for education from the property tax to the income tax would shift the burden more to the individual taxpayer. Currently, this is the incidence of burden between individuals and corporations for the property and income taxes:

	Individual	Corporation
Property Tax	55%	45%
Income Tax	83%	17%

This fact has not been lost on business organizations in Illinois.

If the revenue were equal to the appropriations for education, a special statewide income tax for education would require a tax of about 2% on the income base. The businesses could and, undoubtedly, would escape the impact by shifting the incidence to the consumer, including consumers in other states. It would be necessary to limit the deductions taken by a business to reduce its tax liability.

Utilizing the most current available data, this shift would look roughly like this:

Cost for Elementary Education	$4,006,784,739
General State-aid Appropriation (GSA)	2,650,000,000
Additional GSA from Income Tax	1,346,784,739
Approximate increase in support	50%
Cost for High School Education	$2,648,263,652
Property Tax Revenue	3,905,267,404
Property Tax Relief	- 1,257,003,752
Approximate decrease in support	32%

Individual income tax would rise from 3% to 3.9%. Corporate income tax would rise from 4.8% to 6.3%.

To support just the elementary schools would require an educational tax rate of less than 2%. Three-fourths of Illinois' students are educated in the elementary school, at about two-thirds of the cost of the average Illinois high school student. Individuals and corporations would pay a property tax and an income tax for education. The property tax would support the secondary program and the income tax would support the elementary program, and subsidize the secondary program through grants to families where the desired high school program proved to be appropriate but not affordable. The property wealth per pupil is the major disequalizing factor, as it always has been. Even in a plan that realigns educational policy and tax burden there still remains the problem of raising sufficient revenue in some communities for adequate and desirable educational programs.

Districts will want dollar-for-dollar exchange for the lost property tax and the replacement grant-in-aid. Any change or shift in reliance on a revenue source must result in a predictable, continual and fair level of school funding. Since there has been a growing dependence on funding that shifts the cost of current operations from current revenue to long-term bonded debt, the need for a swift change is essential.

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The "Golden Rule" states "He who has the gold, rules." Full state funding of elementary schools might mean more policy decisions from Springfield. There might be less incentive for efficiencies at the local level, as a consequence of loss of local involvement and control over policy.

Under a system of full state support of elementary education, some, but not all, of the property tax burden would be lifted from the

taxpayers in all Illinois school districts. The state would fully fund the elementary schools and partially fund the high schools. The local taxpayers would not supplement the cost of operating the elementary school program. The state would assume that financial burden and would prescribe the total program at the elementary level. The state might have to fund a more costly statewide program than is the case now because the objective would be "to raise all the ships in the bay," to increase all elementary programs that are below the median. The state's contribution would scale back at the secondary level and local property taxes would step in to support the secondary programs, and local boards would prescribe the secondary educational policies. Policy-making would be commensurate with the level of support: state policy would equalize the elementary programs and, apart from a basic or minimally adequate high school program, local policy would determine the funding at that level.

The burden of support shifts. The state corporate and individual income tax for education increases to a level that puts Illinois on a par taxwise with its neighbors. The model has the potential of placing Illinois in a more advantageous position educationally than its neighbors. Without complete simulation of the model it is difficult to determine exactly how the financial parameters would be affected. It would appear from preliminary estimates that the property tax relief would be about ten percent and the income tax increase would be below the aforementioned educational income tax of two percent. The ball part figure of a total 4.5 percent personal income tax is certainly adequate to do the job and such a level would not put Illinois' tax rate ahead of other states. This same figure has been mentioned as the "target" level in several other recent fiscal policy proposals for Illinois. Whether or not it can be achieved by legislation action alone or whether it will take both litigation and legislation are open questions.

Elementary education forms values and basic skills that become the fabric and texture of society and culture for individuals. If full-funded, state policy would shape programs at the elementary level; and, it can be argued, that it should shape these programs because the

greatest amount of social benefits are derived from elementary education. If fully-funded at the local level, the secondary educational program would shape vocational, professional, and social interests that reflect local needs. Not the least of the "selling points" of this model is that it retains a "market mechanism" at the secondary level with considerable local choice, but removes local choice at the elementary level in order to achieve equity and adequacy goals.

This model addresses the existing dual district structure in Illinois and could easily accommodate the unit district structure. Unit districts may not be felicitous educational organizations nor even be economically efficient. Illinois might want to encourage larger high school districts and, in some cases, smaller, more homogeneous elementary districts – in other words, dual districts instead of unit districts.

This concept of full-funding for elementary programs in Illinois probably would have to be phased in with a continuation of the income tax surcharge to determine if the program is workable. Whether it achieves the desirable academic policy objectives and taxpayer equity that this argument has adopted as basic principles is the paramount question. It is possible to conceive of a model that offers "almost full-state assumption" at the elementary level and continues partnership funding at the secondary level. Various computer simulations suggest various percentages of funding by the state. For example, one might want to try 51% state support at the secondary level and 81% state support at the elementary level. This model would not achieve strict equity goals at the elementary level because wealthier elementary districts would continue to raise more from local sources than would poor elementary districts. However, at 80%, state support would be more equitable than that which presently exists. There is no doubt that allowing some local "enrichment" would make the proposal more attractive to General Assembly representatives from the wealthier elementary districts and would likely provide a smoother path for this proposal from concept to enactment into law.

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